

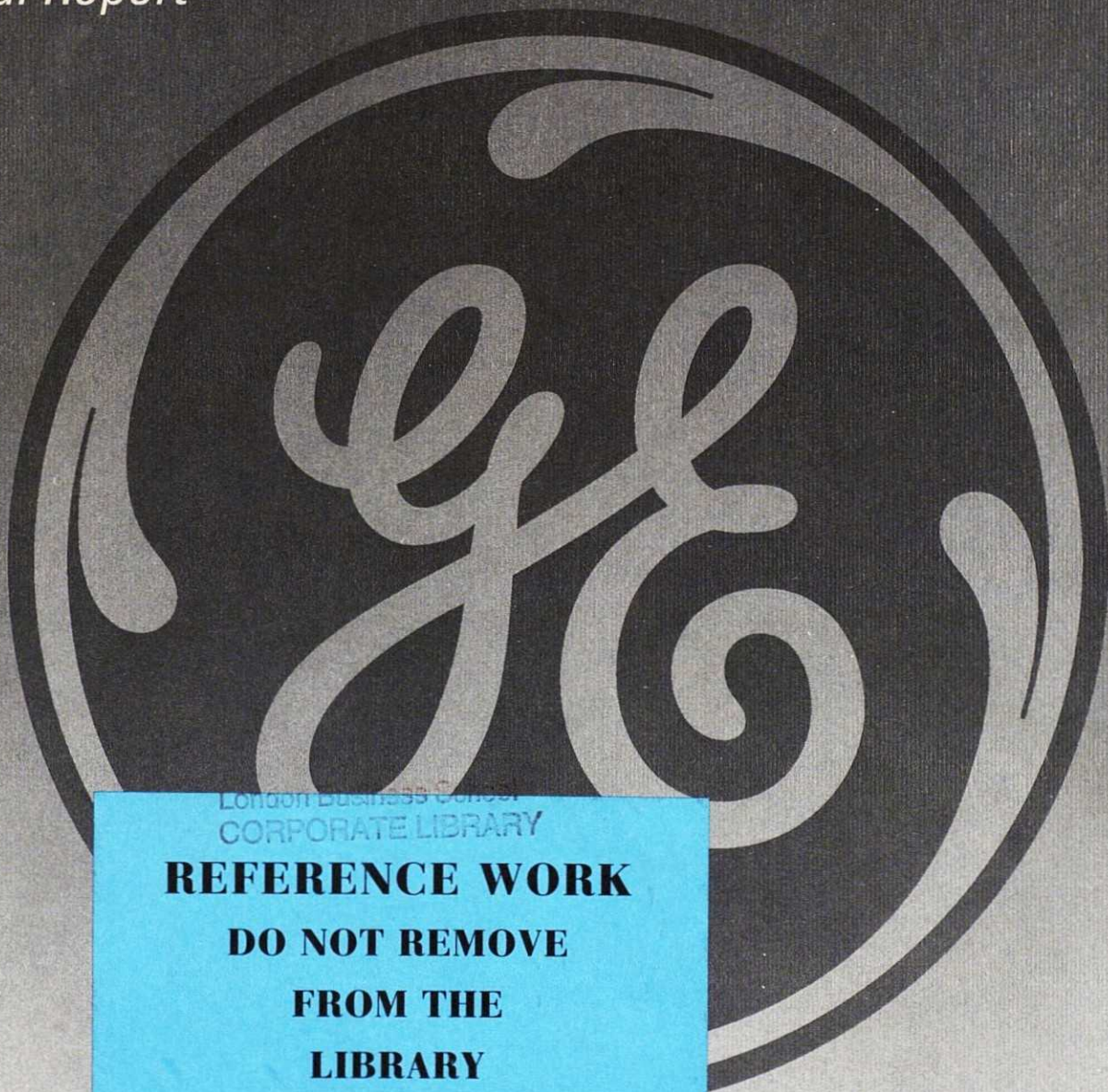


USA

General Electric Company

1998

Annual Report



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Financial Highlights

General Electric Company and consolidated affiliates

(Dollar amounts in millions; per-share amounts in dollars)

	1998	1997	1996
Revenues	\$ 100,469	\$ 90,840	\$ 79,179
Net earnings	9,296	8,203	7,280
Dividends declared	4,081	3,535	3,138
Per share			
Net earnings	2.80	2.46	2.16
Dividends declared	1.25	1.08	.95
GE ongoing operating margin rate (a)	16.7%	15.7%	14.8%

(a) "Ongoing operating margin" here and elsewhere in this report excludes restructuring and other special charges in 1997.

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To Our Share Owners, Employees and Customers



Chairman and Chief Executive Officer John F. Welch, Jr. (center) and Vice Chairmen and Executive Officers Dennis D. Dammerman (left), Eugene F. Murphy (back) and John D. Opie (right) form GE's Corporate Executive Office.

1998 was another terrific year for your Company — another record year.

- Revenues rose to \$100.5 billion, up 11%.
- Earnings increased 13% to \$9.3 billion.
- Earnings per share grew 14% to \$2.80.
- Operating margin rose to a record 16.7%, up a full point from the record 15.7% of 1997. Working capital turns rose sharply to 9.2, up from 1997's record of 7.4.
- This performance generated \$10 billion in free cash flow, which, in combination with a "AAA" debt rating, allowed us to invest \$21 billion for 108 acquisitions in support of two of our three Company-wide initiatives: Globalization and Services.
- Record cash flow allowed us to raise dividends by 17% and to further increase share owner value by repurchasing an additional \$3.6 billion in GE stock.
- In 1998, GE was named *Fortune* magazine's "Most Admired Company in America" and "The World's Most Respected Company" by a worldwide business audience in the *Financial Times*.

Our share owners — including our active and retired employees, who now own more than \$17 billion in GE stock in their savings plans — were rewarded for these actions and this performance — the total return on a share of GE stock was 41% in 1998. GE has averaged a 24% per-year total return to share owners for the past 18 years.

This performance, year after year, is the product of a diverse and powerful portfolio of leading global businesses. This performance has been driven this decade by three big Company-wide growth initiatives: Globalization, Services and Six Sigma quality.

These initiatives, in turn, have been rapidly advanced by a General Electric culture that values the contributions of every individual, thrives on learning, thirsts for the better idea, and has the flexibility and speed to put the better idea into action every day.

We are a learning company, a company that studies its own successes and failures and those of others — a company that has the self-confidence and the resources to take big swings and pursue numerous opportunities based on winning ideas and insights, regardless of their source.

That appetite for learning, and the ability to act quickly on that learning, will provide GE with what we believe is an insurmountable and sustainable competitive advantage as we pursue our three big growth initiatives.

Globalization is the first of those initiatives.

Last year we wrote to you as the difficulties in Asia were causing global uncertainty and unease.

We, like everyone else, had not foreseen these difficulties, but we quickly viewed Asia as similar in many respects to the Europe of the early 1990s — in need of various structural remedies but rich in opportunity. In the case of Europe — and in the case of Mexico in the mid-'90s — we moved decisively and were rewarded with significant and rapid growth. We have grown fourfold in Europe, from a relatively small GE presence in 1990 to \$24 billion in revenues in 1998.

The GE of the next century must provide high-value global products and services, designed by global talent, for global markets.

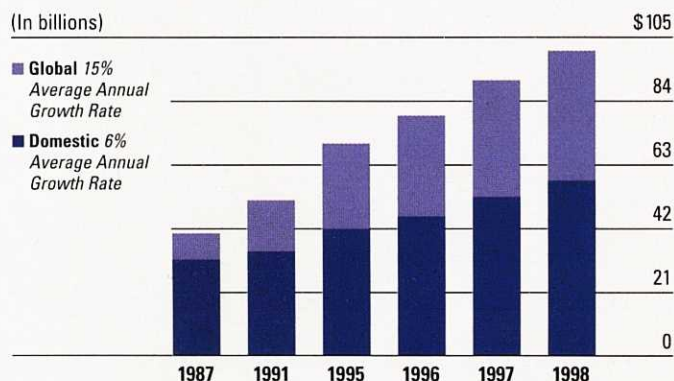
We learned from our European successes and saw in Japan the opportunity to do it again — only faster.

We acquired the business infrastructure and sales force of Toho Mutual Life, and — because of the high respect the Japanese have for Thomas Edison — we renamed it GE Edison

Life and quickly became a force in the Japanese insurance industry. We also acquired the consumer loan business of Japan's Lake Corporation, with \$6.2 billion in assets, and added it to our already rapidly growing consumer finance business there. These acquisitions, along with several other ventures, partnerships and buyouts by our industrial businesses, together with the growth of our ongoing existing businesses in Japan, should allow us to more than double our over \$300 million in 1998 Japanese earnings within three years.

Our Japanese initiatives are part of an intense multiyear focus on globalization that produced \$43 billion in revenues in 1998 and a growth rate for GE outside the United States that has been double our U.S. growth rate for 10 years.

Growth Through Globalization



But market success is only part of globalization. We must globalize every activity in the Company. We've made some progress in sourcing products and components so critical to survive and win in a price-competitive deflationary world, but our challenge is to go beyond that — to capitalize on the vast intellectual capital available around the globe. In 1999, we will move aggressively to broaden our definition of globalization by increasing the intensity of our effort to search out and attract the unlimited pool of talent that is available in the countries in which we do business — from software designers in India to product engineers in Mexico, Eastern Europe and China.

The GE of the next century must provide high-value global products and services, designed by global talent, for global markets.

Product services is a second continuing growth initiative. This initiative has already changed the headset of the Company from that of a provider of products augmented

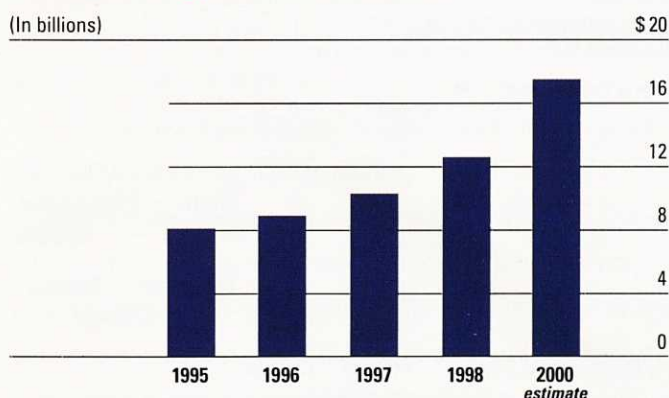
by ancillary services to a Company that is overwhelmingly a source of customer-focused, high-value, information technology-based productivity solutions — as well as a provider of high-quality products.

With this initiative, as with globalization, we are broadening our definition of services — from the traditional activities of parts replacement, overhauling and reconditioning high-value machines like jet engines, turbines, medical equipment and locomotives, to a larger and bolder vision. We have the engineering, the R&D, the product knowledge, the resources and the management commitment to make the series of hundred-million-dollar investments that will allow us to truly change the performance of our installed base, and by doing so upgrade the competitiveness and profitability of our customers: utilities, hospitals, railroads, factories and airlines.

By adding higher and higher technology to the customers' installed base of machines, we will have the capability of returning them to operation not just "overhauled" but with better fuel burn rates in engines, higher efficiency in turbines, better resolutions in CT scanners, and the like.

The ability to go beyond "servicing" to, in essence, "reengineering the installed base" will dramatically improve our customers' competitive positions.

Growth Through Product Services



In product services, as with globalization, the new expanding view of both initiatives is driven by the insatiable learning culture inherent in the Company today, learning from each other, across businesses, across cultures, and from other companies.

Six Sigma quality, our third growth initiative, is, in itself, a product of learning. After observing the transforma-

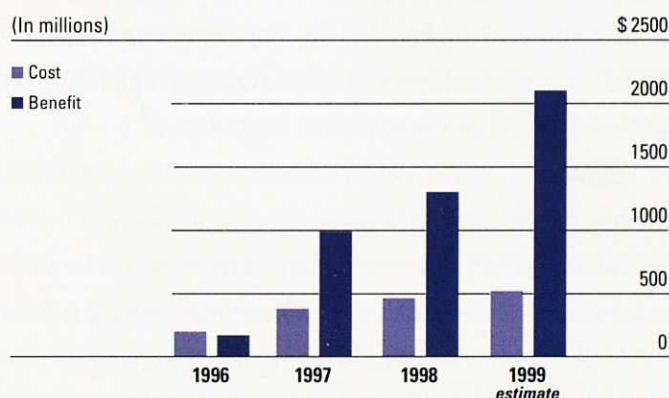
tional effects this science, this way of life and work, had on the few companies that pursued it, we plunged into Six Sigma with a Company-consuming vengeance just over three years ago. We have invested more than a billion dollars in the effort, and the financial returns have now entered the exponential phase — more than three quarters of a billion dollars in savings beyond our investment in 1998, with a billion and a half in sight for 1999.

The Six Sigma-driven savings are impressive, but it is the radical change in the overall measures of operating efficiency that excite us most. For years — decades — we have been straining to improve operating margin and working capital turns. Our progress was typically measured in basis points for margins and decimal points in working capital turns. Six Sigma came along in 1995 when our margins were in the 13.6% range and turns at 5.8. At the end of 1998, margins hit 16.7% and turns hit 9.2. These numbers are an indicator of the progress and momentum in our Six Sigma journey.

The ratio of plant and equipment expenditures to depreciation is another measure of asset efficiency. This number in 1998 dropped to 1.2 and will be in the .7–.8 range in the future, as "hidden factory" after "hidden factory" — literally "free capacity" — is uncovered by Six Sigma process improvements.

All this has taken place in just over three years, after the quarter million of us hurled ourselves into this unknown way of life and work.

Six Sigma Progress



Year three of Six Sigma shows how far we have come in training ourselves — with 5,000 full-time "Master Black Belts" and "Black Belts" driving scores of thousands of quality

projects around the globe, and with virtually every single professional in the Company a "Green Belt," extensively trained and with a project completed.

As measured by internal performance improvements, and the enhancement of share owner value, Six Sigma has been an unqualified success.

The first major products designed for Six Sigma are just now coming into the marketplace and beginning to touch some of our customers. The new LightSpeed™ CT scanner and the new TrueTemp™ electric range, to name two, are drawing unprecedented customer accolades because they were, in essence, designed by the customer, using all of the critical-to-quality performance features (CTQs) the customer wanted in the product and then subjecting these CTQs to the rigorous statistical Design For Six Sigma process.

The LightSpeed scanner, the first multislice CT to reach the market, is a godsend to patients who, for example, now have to endure a chest scan for only 17 seconds compared with the 3 minutes it takes with a conventional CT. A patient with a pulmonary embolism, usually in breathing distress, must lie in a conventional scanner for nearly half a minute compared with 6 seconds for the LightSpeed. A trauma patient, for whom time-to-diagnosis is a literal life-or-death matter, can have a full-body scan in 26 seconds instead of the 3 minutes a single-slice CT scanner requires. Hospitals, for their part, now get a much higher utilization rate and hence lower per-scan costs. The reception of this product has been remarkable, with \$60 million in orders in the first 90 days and with customer acceptance levels and endorsements never before seen.

Every new GE product and service in the future will be "DFSS" — Designed For Six Sigma. These new offerings will truly take us to a new definition of "World Class."

Yes, we've had some early product successes, and those customers who have been touched by them understand what this Six Sigma they've heard so much about really means. But, as we celebrate our progress and count our financial gain, we need to focus on the most powerful piece of learning we have been given in 1998, summarized perfectly in the form of what most of our customers must be thinking, which is: "When do I get the benefits of Six Sigma?" "When does my company get to experience the GE I read about in the GE Annual Report?"

Questions like these are being asked because, up to now, our Six Sigma process improvements have concentrated primarily on our own internal processes and on internal measurements such as "order-to-delivery" or "shop turnaround time."

And in focusing that way — inwardly on our processes — we have tended to use all our energy and Six Sigma science to "move the mean" to, for example, reduce order-to-delivery times from an average of, say, 17 days to 12 days, as reflected in the example below. We've repeated this type of improvement over and over again in thousands of GE processes and have been rewarded for it with less "rework" and greater cash flow. The problem is, as has been said, "the mean never happens," and the customer who looks at this chart, or charts like it, is still seeing variances in when the deliveries actually occur — a heroic 4-day delivery time on one order, with an awful 20-day delay on another, and no real consistency. The customers in this chart feel nothing. Their life hasn't changed; their profitability hasn't increased one bit. These customers hear the sounds of celebration coming from within GE walls and ask, "What's the big event; what did we miss?" The customer only feels the variance that we have not yet removed.

Example

Customer Dashboard: Customer XYZ

Dashboard Dial: Order to Delivery Time

Order by Order Delivery Times

	Starting Point	After Project	
	29 Days	11 Days	
	18	24	
	7	10	
	19	6	Mean — Big Change
	6	12	17 Days → 12 Days
	8	8	
	16	15	
	19	10	
	33	4	
	15	20	
Performance Mean	17 Days	12 Days	Variance — Almost No Change
Customers Feel Variance!			

Our challenge, as we move toward 2000, is to turn our Company vision "outside in," to measure the parameters of the customers' needs and processes and work toward zero variability in serving them. **Variation is evil in any customer-touching process.** Improvement to our internal processes is of no interest to the customer.

In 1999, our customers will feel and enjoy the same benefits of Six Sigma that we have been experiencing internally. We will improve variability. We will make this happen. The impetus for this change will come not only from the business leaders but also from the first of the pioneering Six Sigma GE leaders who have now completed their “tours” and have been promoted into leadership positions in the businesses. They are now General Managers, Directors of Finance, Vice Presidents of Sales, Vice President of the Audit Staff, President of GE Mexico, and the like — big jobs.

This next generation of senior GE leadership, and the succeeding waves of Black Belts, share a camaraderie and an esprit forged by their Six Sigma training and the experiences of their tours. They are already predisposed toward hiring only those fluent in Six Sigma language and adept at its methodology. Within a few years, the work culture and the management style of General Electric will be indelibly, irreversibly, Six Sigma — and it will be focused on the customer’s success.

These new leaders are changing the very DNA of GE culture. Work-Out, in the ‘80s, opened our culture up to ideas from everyone, everywhere, killed NIH (Not Invented Here) thinking, decimated the bureaucracy, and made boundaryless behavior a reflexive and natural part of our culture, thereby creating the learning culture that led to Six Sigma. Now, Six Sigma, in turn, is embedding quality thinking — process thinking — across every level and in every operation in our Company around the globe.

Work-Out in the 1980s defined how we behave. Today, Six Sigma is defining how we work.

The two initiatives — Services and Six Sigma — have one common theme: Only when tomorrow’s product and service offerings from GE significantly reduce the plant and equipment expenditures of our customers and increase their productivity will we have fulfilled the GE Services and Six Sigma vision.

These, then, are the three initiatives — Globalization, Services and Six Sigma — fueling powerful growth in your Company and transforming its culture and its soul.

These initiatives are being driven across the businesses and across the globe by a unique brand of 21st century business leader — the GE “A” player, the leader who embodies

what we call the four “E’s”: high **E**nergy; the ability to **E**nergize others; “**E**dge,” the ability to make the tough calls; and finally **E**xecute, the consistent ability to turn vision into results.

These “A” players, driving these initiatives, have transformed the very nature of GE — what it does and how well and how quickly it does it.

The two initiatives — Services and Six Sigma — have one common theme: Only when tomorrow’s product and service offerings from GE significantly reduce the plant and equipment expenditures of our customers and increase their productivity will we have fulfilled the GE Services and Six Sigma vision.

With our three initiatives, these “A” players will broaden our globalization vision beyond markets and products to the pursuit of the best intellectual capital in the world.

“A” players will see the mission of product services as investing in technology to change our customers’ productivity equation and enhance their competitiveness.

And finally, they will turn the face of Six Sigma outward toward the customer and make that customer’s profitability the number one priority in any process improvement.

What does a Company with an incredible array of leading global businesses, a learning culture and a depth of “A” player leadership talent have to worry about as we approach the next century? What should keep it awake at night?

Not much, but history points a warning finger toward the arrogance and complacency that have caused others to stumble. It points to the sheer size that has slowed them and limited their agility to change quickly in this era of rapid change.

Already, as we approach the millennium, the pundits are hard at work. Predictions of trends and megatrends are in full production. Their record for accuracy has been spotty, at best. Most recently, less than two years ago, the conventional view of Asia was still one of “onward and upward” without interruption.

Looking back much further, to 20 years ago, when a new GE team moved into leadership, the prognostications were, in many cases, spectacularly inaccurate.

- In 1980, with oil at \$35 a barrel, the big questions were when would it hit \$100 or if it would be available at all.
- Japan in 1980 seemed to be in inexorable ascendancy, invading and dominating complacent industry after industry. Future American generations were doomed to menial work. The U.S. was losing confidence, experiencing "malaise."
- Twenty years ago, everything was predicated on the expectation of a never-ending double-digit inflationary environment.

Obviously, these trends did not play out — quite the reverse. Oil is at record lows, Japan is struggling, and the U.S. has moved from "malaise" to exuberance — irrational or not. Inflation has yielded to deflation as the shaping economic force.

So what does this tell us about the future? It tells us that what's as important as predicting trends is a company's ability to cope with any trend.

Sure, early in the next century, Japan will rebound. Oil prices are bound to rise again. Inflation is probably not dead. But spending a lot of time putting too fine a point on the "how" and "when" any of these might happen is less important than growing a culture that is both challenged by the unexpected and confident in, as well as capable of, dealing with whatever comes along.

That's why so much about leading a big company is about assuring that it stays agile, unencumbered by bureaucracy or lulled by complacency — keeping it a company that breathes information, loves change and is excited by the opportunity change presents. It means never allowing a company to take itself too seriously, and reminding it constantly, in the face of any praise or good press, that yesterday's press clippings often wrap today's fish.

Crossing the \$100 billion mark in revenue, as we did in 1998, was a milestone, just as the \$10 billion mark in earnings will be, but that's all they are — good for a quick pat on the back.

Yes, GE has become a very big company, and with the growth initiatives we have under way, we have every intention of becoming a lot bigger.

So what does this tell us about the future?
It tells us that what's as important as pre-
dicting trends is a company's ability to
cope with any trend.

But bigger is only better if a company understands and is committed to using the unique advantages of size.

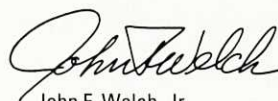
As a big, global, multibusiness company, we have access to an enormous amount of information — and with our learning culture, we have the ability to acquire, share and act rapidly on that information to turn it into marketplace advantage.

Size gives us another big advantage: our reach and resources enable us to go to bat more frequently, to take more swings, to experiment more, and, unlike a small company, we can miss on occasion and get to swing again.

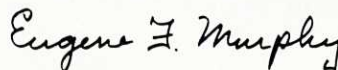
What size cannot be allowed to do to a big company is to let it fall to the temptation of "managing" its size rather than "using" it. We can never stop swinging! At the same time, we must always be striving to capture the best of a small company — its energy, excitement and speed.

We move into 1999 filled with high expectations and with the confidence that we have the right initiatives, the right culture and the right leadership teams — teams with the agility and speed to seize the big opportunities we know this changing world will present us.

Thanks for your continuing support.



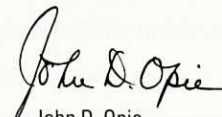
John F. Welch, Jr.
Chairman of the Board and
Chief Executive Officer



Eugene F. Murphy
Vice Chairman of the Board
and Executive Officer



Dennis D. Dammerman
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and Executive Officer



John D. Opie
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and Executive Officer

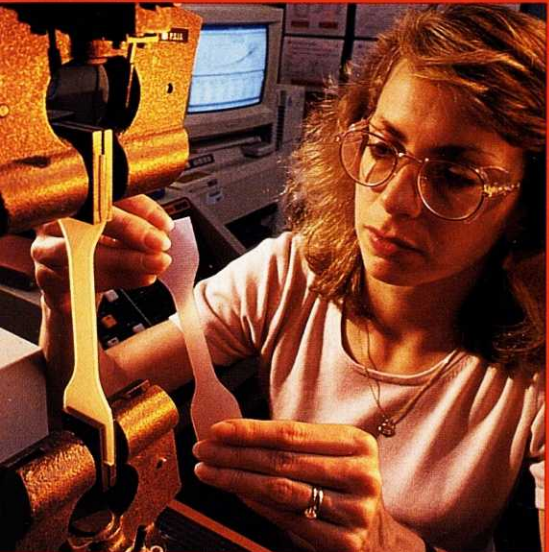
February 12, 1999

GE Innovation

By using Six Sigma tools and methodology, GE people are bringing to market new innovations that are designed to meet CTQs — the critical-to-quality needs of our customers.



Developing a Better Silicone



Engineering a Service Solution



Developing a Better Silicone Judy Serth-Guzzo, a chemist at the Research and Development Center in Schenectady, New York, led a Six Sigma project that resulted in a new low-cost, high-performance, heat-cured elastomer. This new silicone rubber, being developed for medical tubing and automotive gaskets, was designed to meet customer requirements for hardness and ductility.

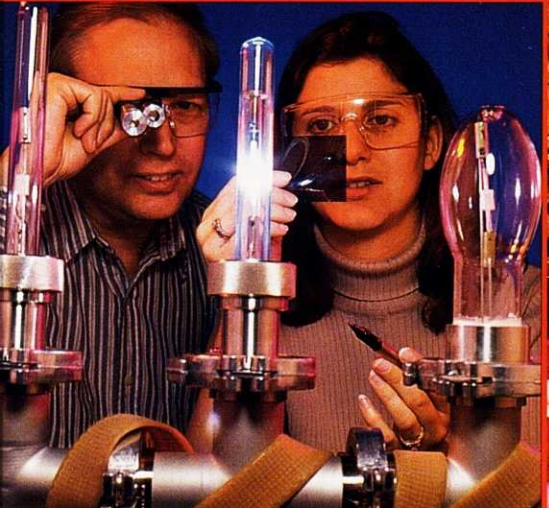
Engineering a Service Solution Manny Mannava of GE Aircraft Engines readies a fan blade for laser shock peening, a new GE process aimed at increasing the durability of aircraft engine components. Enhanced durability translates into more time between scheduled inspections and off-wing service, reducing maintenance costs for GE customers.

Imaging Patients with LightSpeed



Imaging Patients with LightSpeed Diane Radowski assembles a LightSpeed™ Matrix Detector, developed by a GE Medical Systems team using Six Sigma tools. The detector, which has 14,592 individual elements, makes multislice scanning a reality, allowing the new LightSpeed™ CT scanner to deliver faster, more detailed images of the human body than ever before possible.

Improving Color Performance in Lamps



Designing a Better Disk



Improving Color Performance in Lamps Mark Duffy (left) and Lisa Ward of GE Lighting conduct a quality test on a ceramic arc tube, which delivers the improved color performance and light output available in GE's new ConstantColor® CMH™ lamps. Six Sigma tools were used to develop the new lamps.

Designing a Better Disk Bruce Harper of GE Plastics examines new digital video disks (DVDs) made of Lexan® Optical Quality resin. GE technicians are working with equipment manufacturers and customers to develop new products for making DVDs, compact disks and CD-ROMs.

Aircraft Engines



Jim McNerney

W. James McNerney, Jr.
President and Chief
Executive Officer,
GE Aircraft Engines

We are placing even greater emphasis on Six Sigma, which is helping to simplify processes most important to our customers.

GE AIRCRAFT ENGINES DELIVERED A STELLAR FINANCIAL PERFORMANCE in 1998, achieving strong double-digit gains in revenues and earnings while strengthening our overall industry position and expanding our market share.

Our Six Sigma quality initiative is accelerating cultural change throughout our operations and changing how we serve customers. More than 8,000 employees are trained to lead Six Sigma projects; and working with co-workers and suppliers, they contributed more than \$200 million in 1998 financial benefits while speeding up and simplifying processes most important to our customers. We are placing even greater emphasis in 1999 on this highly successful initiative with our customers and suppliers.

Consistent with our industry leadership during the 1990s, GE Aircraft Engines and CFM International, our 50/50 joint company with Snecma of France, again won the majority of the world's large commercial engine orders. Important 1998 airline orders included American Airlines, Continental Airlines, Delta Air Lines, Iberia Airlines, Korean Airlines, Lufthansa German Airlines, Sabena Belgian Airlines, Southwest Airlines and VARIG.

GE Engine Services, with 1998 revenues approaching \$5 billion, continues to experience dramatic growth as customers increasingly outsource life-cycle engineering and maintenance activities. Multiyear service contracts were established with Evergreen International Airlines, VARIG, Continental Airlines, America West Airlines and others. To further our global reach, we created GE VARIG

Engine Services in Brazil, established a joint venture maintenance agreement with EVA Airways and expanded our On-Wing SupportSM maintenance network into China. In addition, GE and Harris Corporation formed an innovative company, GE Harris Aviation Information Solutions, to give customers the ability to monitor and analyze data directly to and from aircraft on a real-time basis.

For the third consecutive year, CFM International received orders for more than 1,000 engines for the best-selling CFM56 engine family. The new CFM56-7 engine entered revenue service on Boeing's Next-Generation 737 aircraft, for which more than 1,000 orders have already been received. CFM also celebrated 10 years as the most popular engine for Airbus Industrie's A320 aircraft family. To ensure leadership into the 21st century, CFM launched Project TECH56, an ambitious technology leadership initiative for CFM56 engines.

1998 was a significant delivery year for the GE90 engine that powers the Boeing 777. The number of GE90 engines in airline service not only doubled, but also exhibited industry-leading performance and reliability. Our CF6-80C2 engine, the most successful engine for widebody commercial jets with more than 2,500 engines in service, continued to capture significant new orders.

The CF34 engine family stands atop the fast-growing regional aircraft sector, powering more than 50% of the jets in this class. Our CF34 engines power the 50-passenger Canadair Regional Jet, and a higher-thrust model under development will exclusively power the 70-passenger Canadair Regional Jet Series 700 aircraft and Fairchild Aerospace's new 728JET family.

In military programs, we delivered the first production F414 fighter engine for the U.S. Navy's top-priority F/A-18E/F Super Hornet. The team of GE, Allison and Rolls-Royce completed the Preliminary Design Review for the four-year Alternate Engine Program contract on the U.S. Joint Strike Fighter. Technology development programs are enhancing higher-thrust versions of our best-selling F110 fighter and T700 helicopter engines.

In marine engines, our reliable, environmentally friendly LM2500 model was selected for the world's first gas turbine-powered cruise ships being built for Royal Caribbean International and Celebrity Cruises.

These successful actions in 1998, over a wide range of products and services, will support our continued success and growth well into the future.



Bill Loomis (left) of Boeing and GE Aircraft Engines field service representative Debbie Rayburn inspect a GE90 engine on a new Boeing 777 before delivery to Saudi Arabian Airlines, which began revenue service of its 777 widebody aircraft in 1998.

Appliances



David M. Cote

David M. Cote
President and Chief
Executive Officer,
GE Appliances

*New products
designed with
Six Sigma quality
and a solid
knowledge of
consumer needs
are positioning
us for significant
growth.*

GE APPLIANCES CONTINUED TO BUILD A SOLID FOUNDATION FOR THE future by developing exciting leading-edge appliances, improving product quality and customer satisfaction, and strengthening its global presence in 1998.

Revenues and earnings were both down slightly from 1997 due to weakened non-U.S. demand and increased product investment, offset partially by a strong but extremely price-competitive U.S. market. However, we did have a significant improvement in internal working capital turnover, resulting in a 3-point increase to 35% in our return on total capital.

We also continued to make great progress in our key initiatives, with Six Sigma being the driving force. We have 3,000 employees who are fully trained and completing projects — which is becoming evident in the quality of our products and services. Consumer product issues are down 20% in just two years. Our suppliers also are seeing the benefits of Six Sigma as they improve their quality and productivity. More than 100 suppliers have been trained and are reporting weekly through a proprietary Internet system on key quality characteristics of their parts, enabling GE to improve every process from design to service.

The recent introduction of our TrueTemp™ gas range exemplifies the benefits of Design for Six Sigma (DFSS). Consumers love the product; it not only captured the top four positions in a consumer magazine ranking, but also reduced consumer quality issues by about one third.

DFSS continues to be a mainstay of our product development process. Our new Zoneline® 5200 air conditioner, quickly becoming the preferred choice of builders, sold out rapidly because of its outstanding performance. We anticipate similar results in 1999 with the introduction of TrueTemp™ electric ranges, Custom-Style™ refrigerators and Speed Cooking ovens. The TrueTemp electric range, with its unique bridge burner, performs better than any in the industry on several attributes critical to consumers. Custom-Style refrigerators, both side-by-side and top-mounted freezer models, allow consumers to achieve a built-in look at affordable prices, without giving up shelf space. Our new bottom-mounted freezer/refrigerator is a great addition to the product line.

Speed Cooking is a revolutionary concept, an entirely new, faster, easier way of cooking. Slightly bigger than a standard microwave oven, this innovative product can produce oven-quality meals in "working Mom's time." Steaks, frozen foods, vegetables, fish and other items can

be cooked in a fraction of the time required in a conventional oven, with the same or better results. This product is easy to clean, requires no preheating and can be used as a microwave, saving valuable space in the kitchen.

To expand our market presence, we intensified our focus on the critical builder channel — offering capabilities, products and services that are unmatched in the industry. Our new Internet-based ordering system, Customer Net, was extremely well received by customers; and three new call-taking facilities in the United States have enhanced our ability to serve consumers.

Sales of the GE Profile™, GE Profile Performance™ and GE Monogram® appliances, our high-end brands, grew at an accelerated rate as we introduced new products for the more affluent consumer. The SmartWater™ line of water filtration and softening products, which now includes water heaters, also had a sharp sales increase.

Globally in 1998, GE Appliances was able to avoid most of the Asia turmoil by reacting very quickly, and we significantly expanded our Latin American presence by completing several key transactions in that region.



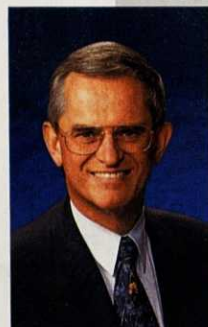
The GE Profile Performance™ and GE Profile™ "Built-In Style" refrigerators are traditional freestanding models that can look and fit like built-in models. They can save up to six inches of floor space and accept optional trim kits or custom panels.

Capital Services



Dennis D. Dammerman

Dennis D. Dammerman
Chairman and Chief
Executive Officer,
General Electric
Capital Services, Inc.;
and Vice Chairman and
Executive Officer, General
Electric Company



Denis J. Nayden

Denis J. Nayden
President and
Chief Executive Officer,
GE Capital Corporation

GE CAPITAL SERVICES GREW EARNINGS 17% IN 1998 — ANOTHER record year in a long series of high double-digit earnings increases. Assets broke the \$300 billion mark for the first time, and for the first time as well, more than a third of those assets are now outside the United States.

GE Capital Services, like General Electric, is a widely diverse array of global businesses, serving different niches, each with its own risk and market characteristics.

Two ongoing GE initiatives have been embraced across GE Capital during the past several years, and the first of these, globalization, has been a dominant factor in our continuing rapid growth.

In 1998, we continued to acquire valuable assets in Europe. We doubled our presence in Central Europe by acquiring Agrobanka — a Czech financial institution — and the Polish American Mortgage Bank. Other acquisitions included mobile accommodations and modular unit businesses in Germany, as well as equipment financing subsidiaries, and Swiss consumer credit operations. GE Railcar Services doubled its European freight car capacity with the purchase, in Great Britain, of International Wagon Services. This acquisition helped propel Railcar into the ranks of the top 20 businesses that provide 90% of the earnings of our parent, GE.

GE Capital businesses now account for 11 of those 20 global-leading businesses of General Electric, with Employers Reinsurance, Commercial Equipment Finance and Global Consumer Finance among the top 10.

The unexpected turbulence in Japan that began two years ago raised the same flag of opportunity that flew over Europe in the early 1990s. A corps of GE Capital

business development people had been on the ground in Japan and were ready with acquisition recommendations in 1998 and early 1999 — when the time came for big moves. The acquisitions of Koei Credit and the consumer finance business of Lake Corporation quickly raised our ability to provide innovative financial services to the Japanese consumer. These followed the deal between GE Financial Assurance and Toho Mutual Life that produced what is now GE Edison Life — one of the fastest-growing life insurers in Japan.

In early 1999, the largest of the deals done so far in Japan was announced as we moved quickly to buy the leasing businesses of Japan Leasing Corporation. With nearly \$7 billion of leasing assets, it is a very attractive, low-risk acquisition that will make GE Capital a major player in the Japanese leasing market and will give us access to 71,000 new corporate clients.

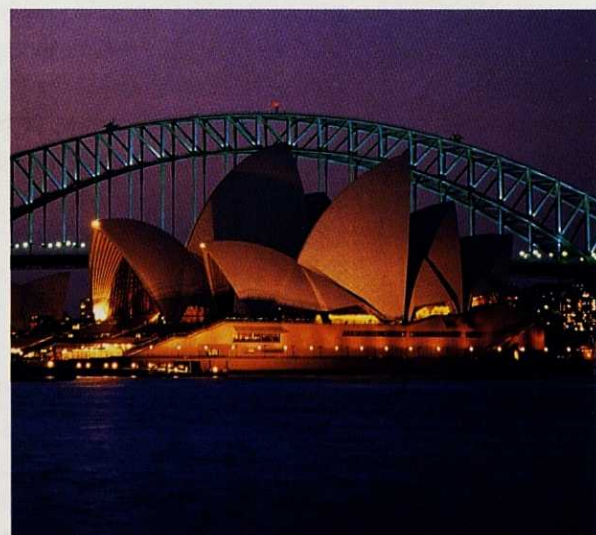
Our plan for Japan is simple and clear: to use the experience we gained in Europe, as well as in Japan, to establish in three years what it took us six years to achieve in Europe — a \$500 million earnings stream from the \$4 trillion Japanese economy, second largest in the world.

In 1999, the steady pace of acquisitions will continue in Asia and Europe, as well as in North America — which saw several key acquisitions in 1998 by our trailer leasing company, reinsurance business, commercial real estate business and several other activities.

As we go forward with acquisitions, however, we will place equal emphasis on organic growth. We will grow by gaining share in our niches as well as by growing our productivity through backroom consolidation and the



Formed in 1998, GE Edison Life is among the fastest-growing Japanese life insurers. It has more than 500 offices and 6,000 sales agents, such as Sayoko Kawasaki (above), serving both corporate and individual clients throughout Japan.



Employers Reinsurance Corporation is expanding its thrust into the Asia-Pacific region. ERC Australia is the largest provider of reinsurance for the Sydney Opera House, a world-renowned landmark managed by the New South Wales government.

centralization of activities such as data entry and accounting at "Centers of Excellence" in Mexico, India, Ireland and Austria. But, as we grow our own productivity, an even greater emphasis will be placed on enhancing that of our customers, and on increasing their ability to compete and win.

The most important initiative that will enable us to do that will be the increasing intensity of our Six Sigma quality effort.

In 1998, GE Capital generated over a third of a billion dollars in net income from Six Sigma quality improvements — double that of 1997. Some 58,000 of our associates have already been extensively trained in this complex process-improvement methodology — and they have completed more than 28,000 quality projects, mostly directed at GE Capital's internal processes.

It was we at Capital who were among the first to emphasize — at the GE Operating Managers Meeting in early January — that Six Sigma can never be the transformational success we intend it to become until it touches each of our customers, allowing them to enjoy the productivity and competitive improvements it has already brought to us. We collectively resolved that in 1999, and beyond, we will focus the full power of Six Sigma outward — on our customers' needs, on our customers' processes, on our customers' ability to become more productive and to win.

Six Sigma quality, a continued focus on global acquisitions, and the passion for growth and winning that drives our 87,000 associates will enable us to raise the performance bar to even greater heights than those of our record-breaking 1998.



European Equipment Finance (EEF) offers unique financial solutions to industrial and commercial customers throughout Europe. MUST Co. of France, for example, financed this new plastics machining center through a lease contract with EEF in 1998.

Consumer Services

- Auto Financial Services
- Auto Financial Services Europe
- GE Capital Australia and New Zealand
- GE Capital Japan
- GE Card Services
- GE Financial Assurance
- Global Consumer Finance
- Mortgage Services

Equipment Management

- Americom
- Aviation Services
- Fleet Services
- GE SeaCo
- IT Solutions
- Modular Space
- Penske Truck Leasing
- Railcar Services
- TIP

Mid-Market Financing

- Commercial Equipment Financing
- European Equipment Finance
- Vendor Financial Services

Specialized Financing

- Commercial Finance
- Equity Capital Group
- Real Estate
- Structured Finance Group

Specialty Insurance

- Employers Reinsurance Corporation
- Financial Guaranty Insurance Company
- GE Insurance Holdings
- Mortgage Insurance

We provide a vast array of financial products and services around the world through our 28 diversified, niche businesses.



Equity Capital Group has investments in more than 130 companies around the world. Among its newest clients, Keystone Automotive Operations of Exeter, Pennsylvania, is the world's largest marketer of specialty auto parts.

Industrial Systems



Lloyd Trotter

Lloyd G. Trotter
President and Chief
Executive Officer,
GE Industrial Systems

*By combining two
businesses, we now
provide customers
with a single,
integrated source
for industrial
systems, services
and solutions.*

THE YEAR MARKED THE FORMATION OF GE INDUSTRIAL SYSTEMS, a \$4.8 billion global business providing customers with a single, integrated source for electrical and electronic systems, services and solutions for their residential, commercial, industrial or utility applications.

By combining the resources, talents and experiences of the former Electrical Distribution and Control business with those of the Industrial Control Systems business, we have increased our ability to accelerate and enhance new product development, giving us greater stability and long-term market competitiveness.

Revenues for the combined business were \$4.8 billion in 1998. Revenues were down versus the prior year due to softness in long-cycle businesses. Six Sigma quality improvements and total cost productivity offset lower industry prices and improved our profitability over the prior year. In addition, our cash flow reached record levels due to improved working capital management.

Globalization efforts continued across the business. A series of joint ventures and acquisitions should enhance the Solutions service business while complementing our global product portfolio in countries like India, Mexico and the United Kingdom. Strong performance continued for Power Management, including strong growth in South America for both orders and sales. Our GE Fanuc joint venture grew its percentage of sales outside the United States from 49% to 55%. Consumer Motors and Controls enjoyed a very strong 1998, driven by favorable market conditions and increased share in North America, Europe and India.

We continued to invest in new product development, introducing more than 95 products during the year. By incorporating Design for Six Sigma into the product development process, we are achieving better alignment between customers' needs and process capabilities, producing better quality as a result. This is evident in new products such as the Universal Relay, the HVAC 95mm Global Motor and the Innovation Series™ Low Voltage Drives.

GE Fanuc saw 40% sales growth for its CIMPLICITY® factory automation software. By acquiring Total Control Products, Inc., this joint venture with FANUC of Japan strengthened its position in the emerging area for open control systems. The Total Control Products portfolio will greatly enhance GE Fanuc's ability to drive growth in the rapidly expanding factory automation arena.

The Industrial Systems Solutions service business continued to help customers increase their productivity in a wide range of process industries. An expanded ability to serve a broader set of customers and applications was driven by the acquisition of several system integrators.

Our Six Sigma efforts are positively impacting our business. We have dramatically improved our delivery performance through distribution, increased our capacity in fan motors by 10% without any investment, and continued to identify new opportunities where we can apply Six Sigma disciplines to enhance the quality of our products and services. Our focus in 1999 is simple: to continue aggressively applying Six Sigma on the critical processes and issues most important to our customers.

Overall, 1998 was a year of positive change and a new beginning for GE Industrial Systems. By accelerating the pace of change, we will continue to leverage our growth via partnerships, joint ventures and acquisitions as we invest to expand and strengthen our global product and service offerings.



GE's Bill Erichson inspects a roll of galvanized steel coil at the Nucor mill in Hickman, Arkansas, where GE Industrial Systems provided a complete solution: drives, motors, switchgear, control centers, software, and related equipment and services.

Lighting



David Calhoun

David L. Calhoun
President and Chief
Executive Officer,
GE Lighting

*Six Sigma is now
established as the
key to reinventing
this 120-year-old
GE business.*

GE LIGHTING HAD ANOTHER SOLID YEAR OF SALES AND EARNINGS, although declining Asian markets and weak quartz sales to the semiconductor industry caused our 1998 results to fall short of 1997's record performance.

Worldwide, GE's lamp business improved its share, operating margins and capital efficiency. Most importantly, Six Sigma is now established as the key to reinventing this 120-year-old GE business.

A new "Voice of the Customer" study was the wake-up call. Customer feedback told us we were using Six Sigma to fix our own internal systems, but not our customers' problems. We were developing a passion for numbers, not a passion for satisfying customers.

Customers, we learned, are not interested in statistical means and averages. They can't feel an "average." They are hurt by individual mistakes, defects and missed deliveries. It is exceptions to the rule, or variation around the "norm," that affect our customers every day. For this reason, we have declared war on variation in everything we make or touch — across all our operating systems.

For example, fill rates and on-time delivery are crucial to our customers. An out-of-stock GE product is a lost sale for both of us. By developing new inventory mapping systems and new distribution software, our day-to-day variation in fill rates improved dramatically worldwide. Not only did this translate into significantly more satisfied customers, it also improved working capital turns for GE Lighting. What is good for our customer, is good for us.

Reducing variation in our manufacturing plants is also paying huge dividends. The goal is to make our product supply chains 100% reliable — no bad days and no stranded customers. These actions have freed up additional plant capacity that would have cost us more than \$300 million to install.

To reduce variation in new product development, we rely on Design for Six Sigma (DFSS) techniques. An enhanced family of Ceramic Metal Halide products, designed with DFSS, will offer over 99% reliability while setting a new industry standard for color consistency. In 1998, we introduced more than 350

new products, including our environmentally friendly Ecolux® fluorescent lamp family.

When we asked about order service, our customers also were crystal clear. They need quick and easy access to current, accurate information about product availability, order status and delivery. In 1999, we will introduce "First Contact," an advanced electronic order processing and billing system designed to reduce transactional defects, such as pricing and product information errors, by 20%. Reducing variation at the front-end of the process will deliver downstream benefits in excess of \$10 million.

None of these improvements are confined to any one geography. In Europe, we have developed a world-class service organization and will triple our new product development investment for 1999. In Asia, we continue to invest, looking at recent economic problems as an opportunity to strengthen our position there. In 1998, we completed a commercial joint venture with Samsung in Korea; further strengthened our partnership with Hitachi in Japan; and doubled our commercial investment and commitment to the Chinese market.

Clearly, Six Sigma — which added nearly \$50 million to our 1998 operating income — is renewing virtually every aspect of GE Lighting. We believe we now have the tools and, more important, the "obsession to serve" that will help us set a new standard for customer satisfaction, product leadership and business operating performance.



GE's David Korow (left) and Peggy Trimble are surrounded by new torchiere-style floor lamps featuring the 2D® compact fluorescent lamp (CFL) from GE Lighting. The GE 2D CFL is cooler, lasts longer and is more energy efficient than halogen lamps.

Medical Systems



J.R. Immelt

Jeffrey R. Immelt
President and Chief
Executive Officer,
GE Medical Systems

*We enter 1999
operationally
stronger than
ever before and
strategically well
positioned with
our customers.*

GE MEDICAL SYSTEMS POSTED A RECORD YEAR OF DOUBLE-DIGIT revenue and earnings growth despite the effects of continued global price erosion and consolidation among health care providers. Our year was highlighted by the introduction of revolutionary new technology made possible by Six Sigma, a record number of strategic acquisitions, and a total commitment to understanding and satisfying our customers' needs.

With the introduction of the LightSpeed™ QX/i CT system, GE Medical Systems' new product and technology leadership has never been more clear to our customers. LightSpeed, GE's first product to be completely designed and developed using the Six Sigma quality initiative, creates a new paradigm in medical imaging capability.

Developed at a cost of more than \$60 million to serve the \$1.7 billion global CT market, LightSpeed is the world's first scanner that allows doctors to capture multiple images of a patient's anatomy simultaneously, and at a speed that is six times faster than traditional single-slice scanners. This advanced technology provides more diagnostic information for doctors, and its improved speed saves precious time in life-or-death trauma situations. Customers are ordering LightSpeed systems at a rate faster than any of our previous product introductions, and GE Medical Systems will follow up this success in 1999 with six more new products designed for Six Sigma.

During 1998, GE Medical Systems took several bold steps to grow our portfolio of product and service solu-

tions for health care providers around the world. For example, our acquisition of Marquette Medical Systems, a global leader in diagnostic cardiology and patient monitoring devices, significantly strengthens our position in full-service cardiology and health care information systems and provides an entry into the world's rapidly growing patient monitoring device business.

Our continued growth in ultrasound was enhanced by the acquisition of Dasonics Vingmed Ultrasound, a leading maker of cardiac ultrasound systems. By acquiring the Nuclear Imaging and MR operations of Elscint Ltd., we gained new technology and product distribution.

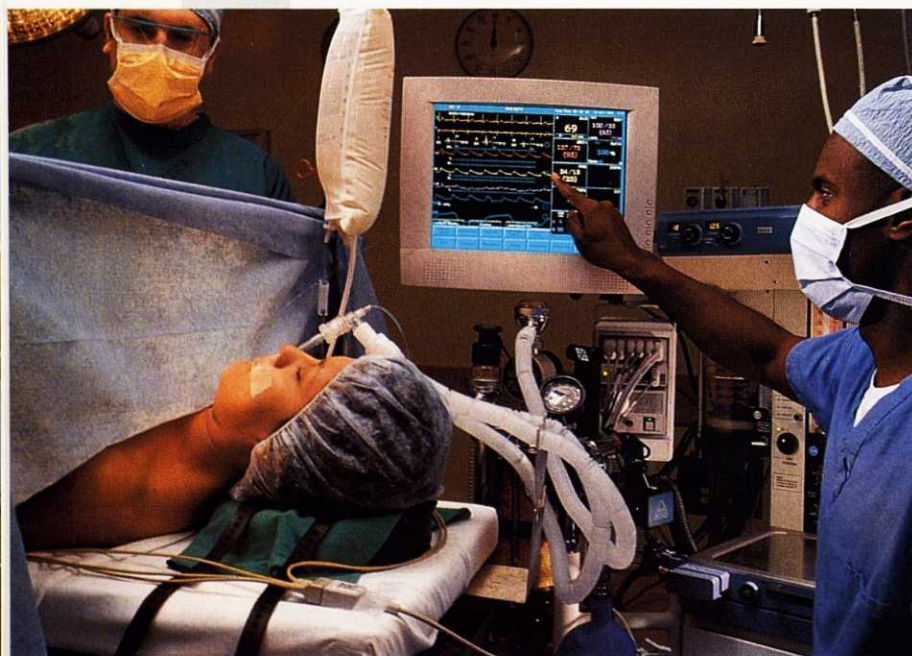
GE Medical Systems is dedicated to fundamentally changing the way women's health care is delivered. Our new herSource™ offering is an array of products and services that reinforces our position as a world leader in women's health care solutions. We expect to add to this position in 1999 with the introduction of our new Full Field Digital Mammography system, the world's first flat-panel mammography system and one of the first x-ray products to employ our Revolution™ digital x-ray detector.

As information management becomes a foundation of health care infrastructure, we have continued to invest in several areas critical to customer productivity. Our new Pathspeed™ Workstation is a unique productivity tool that provides radiologists with a fast, flexible integrated system for viewing and archiving patient records, medical images and other critical data. Our development in this area has been accelerated by a strategic alliance with Cerner Corporation through which we will integrate product offerings to package Cerner's radiology information system with GE's image archiving system. We also developed InSite Interactive™, a remarkable next-generation remote diagnostic network that expands our maintenance capability for imaging systems.

Our new interactive MR imaging capability, available on both the Signa® Profile/i and Signa® MR/i, offers improved image quality and shortened scan times.

With more than 1,600 projects completed and \$92 million in 1998 benefits, Six Sigma has become the catalyst for our drive toward total customer satisfaction through technology, new products and operational excellence.

As we enter 1999, GE Medical Systems is operationally stronger than ever before and strategically well positioned with our customers to grow as their first choice for medical diagnostic products, services and solutions.



High-tech patient monitoring systems that provide anesthesiologists with highly accurate patient data during surgery have been added to GE's diagnostic equipment product line with the 1998 acquisition of Marquette Medical Systems.



Robert C. Wright

Robert C. Wright
President and Chief
Executive Officer,
National Broadcasting
Company, Inc.

*For the third
year in a row,
NBC was the
most-watched
television
network in the
United States.*

IN 1998, THE NATIONAL BROADCASTING COMPANY REGISTERED ITS sixth consecutive year of double-digit gains in earnings. Driving NBC's financial performance were record earnings and profits at NBC television stations and at the cable networks CNBC and MSNBC. These gains more than offset cost increases for prime-time programming on the NBC television network.

The NBC television network finished the 1997-98 TV season as America's most-watched network for the third year in a row, placing first in the prized adult 18-49 demographic category by a 34% margin. For the third consecutive season, we had five or more of the nation's top-rated prime-time shows; and led by *The Tonight Show with Jay Leno*, our late-night programs continued to win their respective time periods. *Late Night with Conan O'Brien* registered the highest ratings in its five-year history.

CNBC cemented its position as the world leader in business television when it finalized an alliance with Dow Jones in early 1998. By providing access to the editorial resources of The Wall Street Journal and other Dow Jones properties, the alliance strengthens CNBC in Europe, Asia and the United States. Advertising revenue increased 36%, and U.S. distribution rose 7% to 68 million subscribers. Ratings for CNBC's daytime business news programming grew 59% since 1997, with prime-time audience up 75%. CNBC has been an NBC leader in using Six Sigma to improve performance.

After only two years of operation, MSNBC, the 24-hour cable and Internet news service co-owned by NBC and Microsoft, now reaches more than 46 million cable households and has commitments in place to reach 60 million by the year 2001. Ad sales and subscriber fees more than doubled in 1998. The channel's companion Web site, MSNBC on the Internet (www.MSNBC.com), was ranked the number one news site on the World Wide Web throughout 1998.

NBC News enjoyed its sixth consecutive year of record profits. *Dateline NBC*, which won its time period on Monday, Tuesday and Friday and placed second on Sunday, added a fifth night to its franchise. *Today* finished the 1997-98 season

in first place for the sixth consecutive year, with ratings almost equal to its two network competitors combined. *NBC Nightly News with Tom Brokaw*, *Meet the Press* and *NBC News at Sunrise* all placed first in their respective time periods.

The home of more premier championship programming than any other network, NBC Sports has long-term relationships with the International Olympic Committee, Major League Baseball, the NBA, the PGA tour and the U.S. Golf Association. NBC will be the exclusive broadcaster of the Olympics through 2008, beginning with the Sydney Olympics in 2000.

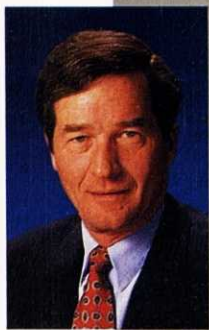
Our stations division had record revenues and profits again in 1998, highlighted by outstanding performances at WNBC (New York) and KNBC (Los Angeles) — the two largest U.S. markets. We also acquired a majority ownership position in KXAS in Dallas, bringing our number of owned stations to 13, reaching 28% of U.S. households.

NBC continued to broaden its presence in new media markets. By acquiring an equity stake in Snap, we became the first TV network to enter the Internet directory and search services business. We hold strategic investments in 15 new media companies.

Looking forward to 1999, we expect CNBC and MSNBC to deliver strong ratings and revenue growth, the increased ownership of network programming to enhance our cost position, and our 13 owned stations to continue delivering higher margin and cash generation.



NBC's Frasier, starring Kelsey Grammer, became the first sitcom to win five consecutive Emmys when it was honored as the best comedy series at the 1998 Emmy Awards. NBC won a total of 18 Emmys, more than any other network.



Gary L. Rogers

Gary L. Rogers
President and Chief
Executive Officer,
GE Plastics

*Our Six Sigma
efforts have had
a tremendous
positive effect
on new product
development.*

GE PLASTICS ACHIEVED RECORD EARNINGS OF \$1.6 BILLION IN 1998, a 6% increase over 1997, while revenues of \$6.6 billion were about even with the previous year. During 1998, we were able to overcome pressure on selling prices and weakness in Asian demand for silicones and industrial diamonds with lower raw material costs and continuing productivity gains. In addition, our cash flow of \$950 million was much higher than in 1997.

Six Sigma was again a bright spot for GE Plastics, with total benefits increasing to \$188 million in 1998. About 90% of exempt employees are now schooled in Six Sigma as a result of our continuing efforts in quality training. During 1998, we completed specific quality projects with more than 200 customers; and Six Sigma has had a positive effect on our new product developments, with more than 90% of new materials exhibiting extremely high quality levels.

We continue to invest in manufacturing capacity to meet the future materials needs of our customers. Plans for a second 130,000-metric-ton polycarbonate plant at Cartagena, Spain, were announced in 1998. The Cartagena site will supply polycarbonate resin to GE Plastics customers worldwide. Construction on the first plant is complete and production commenced in the first quarter of 1999. The investment announced in 1998 will bring total Lexan® polycarbonate capacity of the Cartagena site to 260,000 metric tons annually by the year 2002.

Our investment in polycarbonate capacity is driven by the prospects for new and exciting uses for our Lexan resin and continued growth in key applications.

The market for polycarbonate optical storage media, including CD-ROMs, digital video disks, video game disks and writeable computer disks, is an important area for us and is growing at about 15% a year. In addition, polycarbonate demand continues to grow for applications in computer housings and automotive components.

Exatec, our joint venture with Bayer to develop polycarbonate automotive glazing technology and manufacturing systems, has established facilities at Wixom, Michigan, and Cologne, Germany, to pursue this high-potential use for our materials.

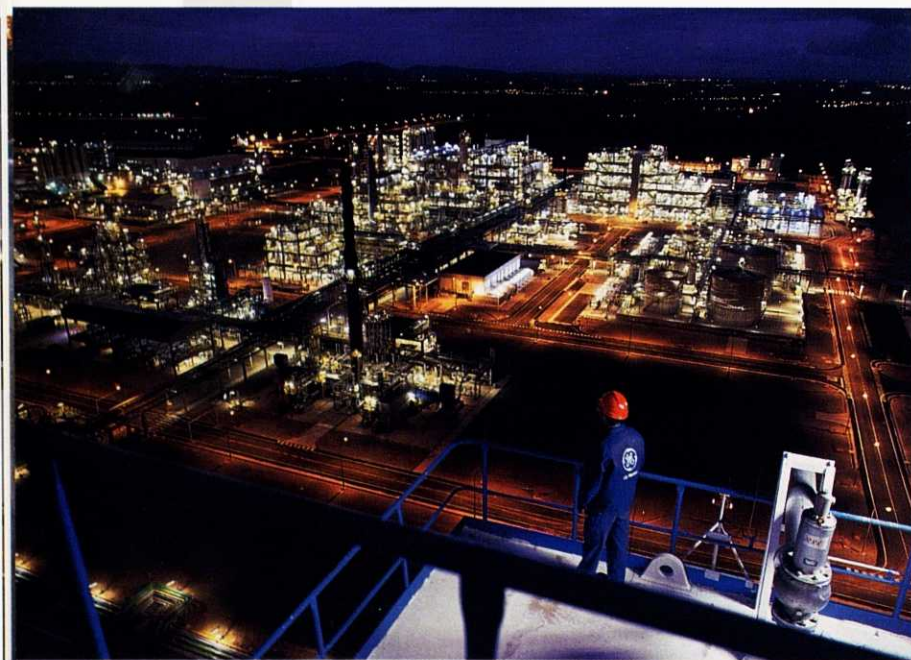
Our other joint venture with Bayer, called GE-Bayer Silicones Europe, was consummated in mid-1998 and greatly strengthens our position in the European region.

A breakthrough application for GE Plastics during 1998 was the Smart™ car. Produced by Micro Compact Car AG in Europe, it is the first vehicle featuring all-plastic, vertical body panels that utilize fully colored plastics. This application, made from our Xenoy® resin, has won industry awards for innovation. Other engineering materials continue to grow as well, including our Cycloloy® resin, which is finding greater use in housings for computers, cellular phones, pagers and personal digital appliances.

Also during 1998, we continued our global expansion with acquisitions in Mexico for Polymerland, our plastics distribution business; in India for our Structured Products business; and in Argentina for our resins business.

Excellence in environmental and safety management, as always, is a key focus of our business. We are strengthening the close partnership we have with our communities and are communicating our capabilities in safety and environmental stewardship in anticipation of new U.S. regulations requiring publication of risk management programs.

We are well positioned for another great year in 1999. Our efforts in Six Sigma quality will have a greater focus on customers and will help fuel growth in key global industries such as computers, communication systems and automobiles. We will also continue to focus on manufacturing capacity and productivity to help ensure our energetic entry into the 21st century.



Julian Veagel of GE Plastics has a bird's-eye view of the new Lexan® polycarbonate plant in Cartagena, Spain. A second plant, announced in 1998, will double polycarbonate capacity at Cartagena to 260,000 metric tons annually.

Power Systems



Bob Nardelli

Robert L. Nardelli
President and Chief
Executive Officer,
GE Power Systems

*An upsurge in
power plant
orders and new
service opportu-
nities is fueling
our growth into
the next century.*

AN UNPRECEDENTED DEMAND FOR POWER GENERATION EQUIPMENT in the United States drove record orders of \$10.5 billion for GE Power Systems in 1998. These orders reflect nearly 150% growth in gas turbine combined-cycle units over 1997 and a 65% GE win rate. Revenues of \$8.5 billion also were at record levels, as were earnings of \$1.3 billion.

The majority of orders were for "F" series advanced technology gas turbines, bringing the total installed, ordered or committed units to more than 300 — twice the advanced technology units of all competitors combined and affirming GE's continued leadership in gas turbine technology and customer satisfaction.

We continued expanding our portfolio of products, services and capabilities, investing more than \$1.5 billion in joint ventures, acquisitions and technology to fuel growth in high-tech services, information technology, distributed power and new energy services. We completed the acquisition of the gas turbine division of Stewart & Stevenson, adding turnkey packaging capability for aeroderivative gas turbines. Our GE Harris Energy Control Systems joint venture acquired ASCADA, a world leader in power system management, monitoring and control systems.

We also entered into an agreement with Elliott Energy Systems to distribute microturbines and, in early 1999, completed a joint venture with Plug Power to market fuel cells. Both agreements expand our capabilities to provide low-cost, leading-edge technology alternatives for small blocks of power.

With new unit sales presenting significant service opportunities, we took major steps to grow the scale and scope of our service business. We consolidated all services components into GE Energy Services and announced several information technology-based service solutions. To improve global customer access, a new customer support center operates 7 days a week, 24 hours a day, with multiple-language capability. In addition, we shifted significant resources to services sales and technology and business development.

Revenues from contractual services — power plant operation and maintenance and long-term service agreements — increased 85%. To strengthen our focus on industrial customers, we combined Nuovo Pignone, S&S Energy Products and GE Industrial Aeroderivatives into the Industrial Products group. Nuovo Pignone's orders exceeded \$2 billion as it expanded its focus and made

significant inroads in the NAFTA region. S&S Energy Products and GE Industrial Aeroderivatives combined forces to win the first order, from Royal Caribbean International and Celebrity Cruises, for the packaging and servicing of environmentally friendly LM2500 gas turbines for the cruise ship industry.

In the area of Six Sigma quality, we achieved more than \$235 million in savings from more than 8,100 projects, both of which were up more than 150% from 1997.

We also completed the first full-speed, no-load test of the H System™ combined-cycle power block. This system will be the first gas turbine to break the 60% thermal efficiency barrier when it enters commercial operation early in the next century.

In 1999, we will apply Six Sigma discipline to meet the unprecedented demand for our gas turbines, and we will continue to expand into new segments of the energy market through technology development, joint ventures and acquisitions. As a result, half of our 1999 revenues are expected to come from products and services that were not part of our portfolio four years ago.



Jim Soutter checks the performance of a GE gas turbine at the Cardinal Cogen Power Plant. GE Energy Services has a multiyear service contract at this plant, which provides electric power, heat, refrigeration and air conditioning to Stanford University.

T ransportation Systems



John G. Rice

John G. Rice
President and Chief
Executive Officer,
GE Transportation Systems

*Our business
heads into 1999
with a record
order backlog
and major growth
in services.*

GE TRANSPORTATION SYSTEMS HAS COMPLETED FIVE CONSECUTIVE years of record locomotive and parts shipments and heads into 1999 with a record order backlog. Our business delivered double-digit growth in cash, earnings and operating margin in 1998.

The largest follow-on order in our history came from BNSF, bringing to 637 locomotives the total to be delivered to BNSF through 1999. These locomotives will be covered by a long-term service contract, raising total GE units under service worldwide to more than 2,700. New service contracts in Canada and Mexico accompanied delivery of more than 175 units to these trading partners. Mexico continues to provide opportunities for 1999.

Following startup testing on the AC6000™ locomotive, we delivered almost 50 of the more than 190 units on order, with the first to be shipped outside the United States going to BHP Iron Ore in Australia.

Sales at GE-Harris Railway Electronics nearly doubled from 1997. GE-Harris continues to develop and deliver new products and systems that will generate savings for our customers into the next century.

Continued growth in electric wheels for off-highway trucks was bolstered by our largest single order ever, for 160 wheel systems from Coal India.

With new products, another record order book and a growing service backlog, the challenge for 1999 will be to optimize use of Six Sigma tools to deliver the next level of locomotive performance and reliability to our customers.



GE Transportation Systems completely rebuilt this service facility in San Luis Potosí, Mexico, to service locomotives for TFM under a 20-year contract with the privatized Mexican railroad. GE also delivered 50 new locomotives to TFM in 1998.

Community Service

Helping the Visually Impaired John Melink (front) and Jack Simpson are among more than 100 GE Elfun retirees in Cincinnati, Ohio, who have repaired nearly 22,000 Talking Book machines for the visually impaired since setting up shop in 1989. Elfun is a worldwide organization of GE volunteers.

Preparing Students for College As part of a College Bound program, Patricia Perry (left) of GE Financial Assurance took students Gilbert Carter and Nitisha Coward of J.F. Kennedy High School in Richmond to see the Aluminaut deep-diving submarine at the Science Museum of Virginia. The GE Fund made a \$1 million, five-year grant to double the number of Kennedy students going to college.

Bringing Sesame Street to China GE provided most of the funding for "Zhima Jie," a Chinese adaptation of Sesame Street that began airing in China during 1998. The educational TV program, designed to prepare young children for school, was developed by a team of Chinese educators and professionals to reflect Chinese culture.

Preserving Edison's Archives Plans to restore the Edison National Historic Site in West Orange, New Jersey, received a \$5 million boost from GE in 1998. The Edison site contains thousands of artifacts and documents from the work of Thomas Alva Edison, the world's most prolific inventor and the father of General Electric.

Planting Trees at a Homeless Shelter GE Plastics employees, friends and community volunteers joined together in sprucing up the exterior as well as the interior of a Red Cross homeless shelter in Pittsfield, Massachusetts. Here, Brock Williamson (left) and Bob Sauve (right) help a volunteer landscape architect plant a tree outside the facility, which handles 500 to 600 people a year. The renovation project involved more than 180 community volunteers.

Tutoring at a Distance GE volunteers are involved in a Campus Compact-Elfun-GE Fund partnership that links students from North Carolina Central University and elementary schools in the Raleigh/Durham area through the "Tutoring at a Distance" program. Senior Elfun Alan Stirling, who started the program aimed at increasing literacy via computers, is shown here with Brandon Benjamin (left) and Nicole Forte.

Going to the Zoo As part of their annual meeting, GE Elfun from around the world joined other GE volunteers at the Beardsley Zoo in Bridgeport, Connecticut, for a one-day service project in which they enlarged and enhanced the river otter exhibit and created a special garden with a gazebo, benches, pathways and 1,300 new plants.

GE volunteers, GE businesses and the GE Fund are helping to make the world a better place every day — through such diverse activities as mentoring young students, building or repairing important facilities, creating innovative programs or helping the less advantaged.



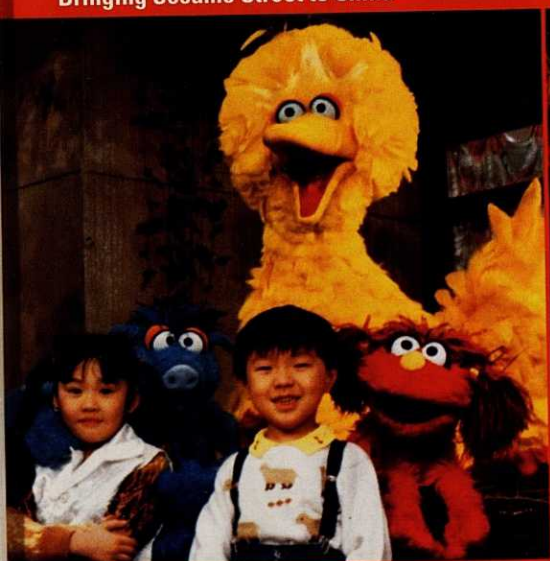
Helping the Visually Impaired



Preparing Students for College



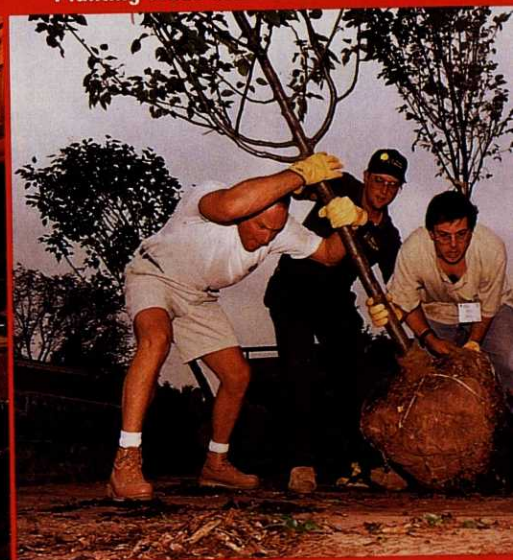
Bringing Sesame Street to China



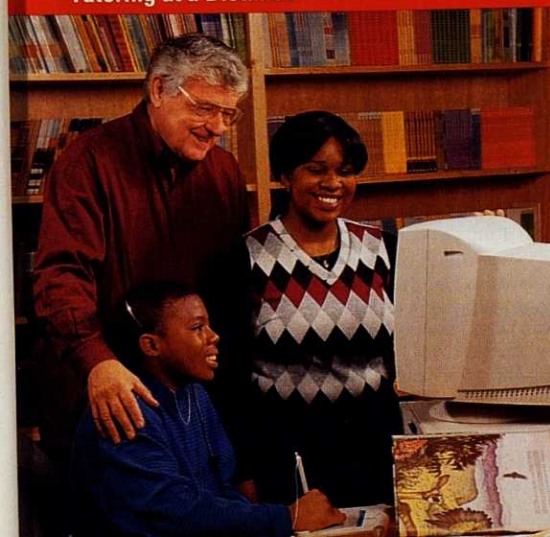
Preserving Edison's Archives



Planting Trees at a Homeless Shelter



Tutoring at a Distance



Going to the Zoo



Board of Directors (As of February 12, 1999)

THE BOARD OF DIRECTORS WAS SADDENED BY THE DEATH IN 1998 OF D. WAYNE CALLOWAY, A GE Director since 1991. Mr. Calloway had been the Chairman and Chief Executive Officer of PepsiCo, Inc., before his retirement in 1996. Mr. Calloway had keen insight into business and people. He was a quiet person of measured phrase, but when he spoke, he had a great impact on the Board. His wisdom and friendship will be deeply missed.

Andrea Jung was named to the Board in 1998. Ms. Jung is President and Chief Operating Officer of Avon Products, Inc., where she has operating responsibility for all of Avon's global business units and also directs its global marketing and research and development efforts.

Kenneth G. Langone was named to the Board in 1999. Mr. Langone is Chairman, President and Chief Executive Officer of Invemed Associates, Inc., an investment banking and brokerage firm that he founded.

Director Paolo Fresco retired from his position as Vice Chairman and Executive Officer of General Electric, which he had held since 1992, on November 1, 1998, to become Chairman of Fiat SpA of Italy. He will remain a GE Director.

Mr. Fresco has been a tireless advocate of globalization and of transforming General Electric into a company with "global brains." Those brains, in the form of an increasingly globalized culture, and the enormous growth the Company enjoys from its thriving global operations, are the enduring legacies of his 36 years of active service with General Electric.

The GE Board held eight meetings during 1998.

At the December meeting, the Directors voted to increase GE's quarterly dividend by 17%, from 30¢ to 35¢ per share, marking the 23rd consecutive year of GE dividend increases. The Board also announced that GE's current share repurchase authorization will remain at \$17 billion, which will allow the buyback program to continue through the year 2000 at about \$2 billion annually.

Board committees addressed a variety of matters during 1998.

The *Audit Committee*, which consists entirely of outside Directors, held four meetings. It reviewed the activities and independence of GE's independent auditors and the activities of GE's internal audit staff. It also reviewed the Company's financial reporting process, internal financial controls and compliance with key GE policies and applicable laws.

The *Finance Committee*, in four meetings, reviewed GE's pension trust and retirement plans, foreign exchange exposure, airline industry financing and other matters involving major uses of GE funds.

The *Management Development and Compensation Committee*, which consists entirely of outside Directors, held 10 meetings. Its activities included all executive compensation plans, policies and practices, all changes in executive assignments and responsibilities, and succession plans for key positions.

The *Nominating Committee*, at its three meetings, reviewed candidates for the Board and recommended the structure and membership of Board committees for the ensuing year.

The *Operations Committee*, in four meetings, reviewed the Company's operating plan and various operational matters.

The *Public Responsibilities Committee*, in two meetings, evaluated environmental and other public responsibility issues as well as activities of the GE Fund.

The *Technology and Science Committee* participated in one meeting at which it reviewed the GE Energy Services business.

Audit Committee

Gertrude G. Michelson, Chairman
Silas S. Cathcart
Roger S. Penske
Frank H.T. Rhodes
Andrew C. Sigler

Finance Committee

Claudio X. Gonzalez, Chairman
John F. Welch, Jr., Vice Chairman
Roger S. Penske
Frank H.T. Rhodes
Douglas A. Warner III

Management Development and Compensation Committee

Silas S. Cathcart, Chairman
Claudio X. Gonzalez
Gertrude G. Michelson
Frank H.T. Rhodes
Andrew C. Sigler

Nominating Committee

Andrew C. Sigler, Chairman
Silas S. Cathcart
Gertrude G. Michelson
Roger S. Penske
Douglas A. Warner III

Operations Committee

Roger S. Penske, Chairman
James I. Cash, Jr.
Silas S. Cathcart
Dennis D. Dammerman
Paolo Fresco
Claudio X. Gonzalez
Andrea Jung
Kenneth G. Langone
Eugene F. Murphy
Sam Nunn
John D. Opie
Andrew C. Sigler
Douglas A. Warner III

Public Responsibilities Committee

Sam Nunn, Chairman
John F. Welch, Jr., Vice Chairman
James I. Cash, Jr.
Dennis D. Dammerman
Claudio X. Gonzalez
Andrea Jung
Kenneth G. Langone
Gertrude G. Michelson
Eugene F. Murphy
John D. Opie
Roger S. Penske
Andrew C. Sigler
Douglas A. Warner III

Technology and Science Committee

Frank H.T. Rhodes, Chairman
James I. Cash, Jr.
Paolo Fresco
Eugene F. Murphy
John D. Opie
Roger S. Penske



James I. Cash, Jr.

James E. Robison Professor of Business Administration, Harvard Graduate School of Business, Cambridge, Mass. Director since 1997.



Silas S. Cathcart

Retired Chairman of the Board and Chief Executive Officer, Illinois Tool Works, Inc., diversified products, Chicago, Ill. Director 1972-1987 and since 1990.



Dennis D. Dammerman

Vice Chairman of the Board and Executive Officer, General Electric Company; and Chairman and Chief Executive Officer, General Electric Capital Services, Inc. Director since 1994.



Paolo Fresco

Chairman of the Board, Fiat SpA, automotive and industrial products, Turin, Italy. Director since 1990.



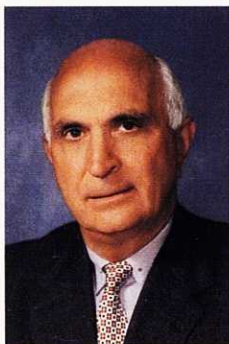
Claudio X. Gonzalez

Chairman of the Board and Chief Executive Officer, Kimberly-Clark de Mexico, S.A. de C.V., Mexico City, and Director, Kimberly-Clark Corporation, consumer and paper products. Director since 1993.



Andrea Jung

President and Chief Operating Officer and Director, Avon Products, Inc., cosmetics, New York, N.Y. Director since 1998.



Kenneth G. Langone

Chairman, President and Chief Executive Officer, Invemed Associates, Inc., investment banking and brokerage, New York, N.Y. Director since 1999.



Gertrude G. Michelson

Former Senior Vice President - External Affairs and former Director, R.H. Macy & Co., Inc., retailers, New York, N.Y. Director since 1976.



Eugene F. Murphy

Vice Chairman of the Board and Executive Officer, General Electric Company. Director since 1997.



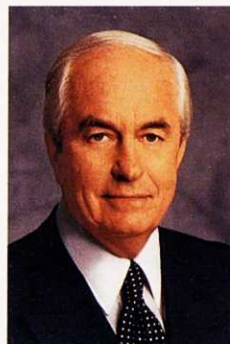
Sam Nunn

Former U.S. Senator from the State of Georgia and Partner, King & Spalding, law firm, Atlanta, Ga. Director since 1997.



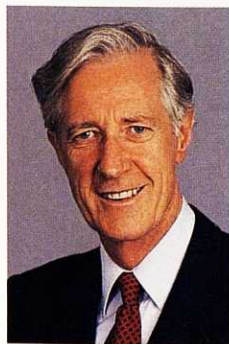
John D. Opie

Vice Chairman of the Board and Executive Officer, General Electric Company. Director since 1995.



Roger S. Penske

Chairman of the Board, Penske Corporation, Penske Motorsports, Inc., Detroit Diesel Corporation and Penske Truck Leasing Corporation, transportation and automotive services, Detroit, Mich. Director since 1994.



Frank H.T. Rhodes

President Emeritus, Cornell University, Ithaca, N.Y. Director since 1984.



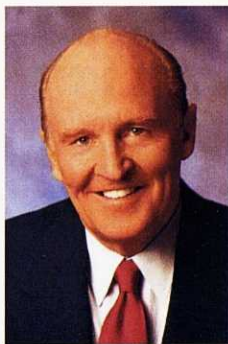
Andrew C. Sigler

Retired Chairman of the Board and Chief Executive Officer, Champion International Corporation, paper and forest products, Stamford, Conn. Director since 1984.



Douglas A. Warner III

Chairman of the Board, Chief Executive Officer and President, J.P. Morgan & Co. Inc. and Morgan Guaranty Trust Company, New York, N.Y. Director since 1992.



John F. Welch, Jr.

Chairman of the Board and Chief Executive Officer, General Electric Company. Director since 1980.

Senior Executive Officers

John F. Welch, Jr.
Chairman of the Board
and Chief Executive Officer

Dennis D. Dammerman
Vice Chairman of the Board
and Executive Officer

Eugene F. Murphy
Vice Chairman of the Board
and Executive Officer

John D. Opie
Vice Chairman of the Board
and Executive Officer

Senior Corporate Officers



William J. Conaty
Senior Vice President,
Human Resources



Lewis S. Edelheit
Senior Vice President,
Research and Development



Benjamin W. Heineman, Jr.
Senior Vice President,
General Counsel and
Secretary



Göran S. Malm
Senior Vice President
and President,
GE Asia-Pacific



Gary M. Reiner
Senior Vice President
and Chief Information
Officer



Keith S. Sherin
Senior Vice President,
Finance, and Chief Financial
Officer

Corporate Staff Officers

Philip D. Ameen
Vice President and Comptroller

Charlene Begley
Vice President, Audit Staff

James R. Bunt
Vice President and Treasurer

Alberto F. Cerruti
Vice President, Mergers and Acquisitions
and International Finance

Beth Comstock
Vice President, Public Relations

Pamela Daley
Vice President and Senior Counsel,
Transactions

Brackett B. Denniston III
Vice President and Senior Counsel,
Litigation and Legal Policy

R. Michael Gadbaw
Vice President and Senior Counsel,
International Law and Policy

Joyce Hergenhan
Vice President; President, GE Fund

Steven Kerr
Vice President, Leadership Development

John H. Myers
Chairman and President, GE Investment
Corporation

Robert W. Nelson
Vice President, Financial Planning
and Analysis

Charles E. Okosky
Vice President, Executive Development

Stephen D. Ramsey
Vice President, Environmental Programs

John M. Samuels
Vice President and Senior Counsel, Taxes

Ronald A. Stern
Vice President and Senior Counsel, Antitrust

Piet C. van Abeelen
Vice President, Six Sigma Quality

Susan M. Walter
Vice President, Government Relations

Aircraft Engines

W. James McNerney, Jr.
President and Chief Executive Officer,
GE Aircraft Engines

Corbett D. Caudill
Vice President, Engineering

Charles L. Chadwell
Vice President, Commercial Engines
and Service

Marc A. Chini
Vice President, Human Resources

Herbert D. Depp
Vice President, Marketing and Sales

John J. Falconi
Vice President, Finance and
Information Technology

Dennis R. Little
Vice President, Military Engines

David L. Lloyd, Jr.
Vice President and General Counsel

George R. Oliver
Vice President, Production and
Procurement

William J. Vareschi
Vice President, Engine Services

Jeffrey S. Bornstein
Vice President, Finance

Russell F. Sparks
Vice President, Product Management

Theodore R. Torbeck
Vice President, Operations

Appliances

David M. Cote
President and Chief Executive Officer,
GE Appliances

Brian P. Kelley
Vice President, Sales and Distribution

Jeffrey Moody
Vice President, Marketing

Happy R. Perkins
General Counsel and Vice President,
Public Affairs

Susan P. Peters
Vice President, Human Resources

Paul A. Raymont
Vice President, Technology

Stephen J. Sedita
Vice President, Finance

Richard F. Segalini
Vice President, Sourcing and
Manufacturing

Capital Services

Dennis D. Dammerman
Chairman and Chief Executive Officer,
General Electric Capital Services, Inc.;
and Vice Chairman and Executive Officer,
General Electric Company

Denis J. Nayden
President and Chief Executive Officer,
GE Capital Corporation

Nigel D.T. Andrews
Executive Vice President, GE Capital

Robert W. Speetzen
President and Chief Executive
Officer, GE Capital Railcar Services

James A. Colica
Senior Vice President, Global Risk
Management

Sandra L. Derickson
President, GE Capital Auto Financial
Services

Henry A. Hubschman
President, GE Capital Aviation
Services

Robert L. Lewis
President, Structured Finance Group

Thomas H. Mann
President and Chief Executive Officer,
GE Capital Mortgage Corporation

James E. Mohn
President and Chief Executive Officer,
Information Technology Solutions

Michael A. Neal
Executive Vice President, GE Capital

Stephen M. Bennett
Vice President, Vendor Financial
Services

Michael A. Gaudino
Vice President, Commercial
Finance

Christopher H. Richmond
Vice President, Commercial
Equipment Financing

David R. Nissen
President and Chief Executive Officer,
Global Consumer Finance

Daniel W. Porter
Managing Director, GE Capital Europe

Ronald R. Pressman
President, GE Capital Real Estate
Financing

Edward D. Stewart
Executive Vice President, GE Capital

Kaj Ahlmann
Chairman, President and Chief
Executive Officer, Employers
Reinsurance Corporation

Robert J. Dellinger
Executive Vice President and Chief
Financial Officer

Nancy E. Barton
Senior Vice President, General Counsel
and Secretary

Michael D. Fraizer
President and Chief Executive Officer,
GE Financial Assurance

James A. Parke
Senior Vice President, Finance

Richard D'Avino
Vice President and Senior Tax Counsel

Jeffrey S. Werner
Senior Vice President, Corporate
Treasury and Global Funding

Lawrence J. Toole
Senior Vice President, Human
Resources

Industrial Systems

Lloyd G. Trotter
President and Chief Executive Officer,
GE Industrial Systems

Joaquim Agut
President and Chief Executive Officer,
GE Power Controls B.V.

M. Roger Gasaway
Vice President, Manufacturing

Joseph M. Hogan
President and Chief Executive Officer,
GE Fanuc Automation North America, Inc.

Richard L. Pease
Vice President, Industrial Systems
Solutions

J. Jeffrey Schaper
Vice President, Sales

Robert D. Sloan
Vice President and General Counsel

Operating Management (Continued)

Lighting

David L. Calhoun

President and Chief Executive Officer,
GE Lighting

William F. Banholzer

Vice President, Technology

Paul T. Bossidy

Vice President, North America

Joseph S. Barranco

Vice President, Production

David J. Feldman

Vice President, Sales

Kirk S. Hachigian

Vice President, Asia-Pacific

Richard M. Jackson, Jr.

Vice President and General Counsel

Robert L. Llamas

Vice President, Human Resources

David L. Pawl

President, GE Quartz, Inc.

Robert H. Swan

Vice President, Finance

Mike S. Zafirovski

President and Chief Executive Officer,
GE Lighting Europe

Stanley F. Davis

Vice President, Sales

Medical Systems

Jeffrey R. Immelt

President and Chief Executive Officer,
GE Medical Systems

Scott C. Donnelly

Vice President, Global Technology

Patrick Dupuis

Vice President, Finance and Financial
Services

Yoshiaki Fujimori

President and Chief Executive Officer,
GE Medical Systems Asia Ltd.; and
Chairman and Chief Executive Officer,
GE Yokogawa Medical Systems

Lawrence R. Johnston

President and Chief Executive Officer,
GE Medical Systems Europe

Paul J. Mirabella

Vice President, Americas

James G. Del Mauro

Vice President, Corporate Accounts

Thomas E. Dunham

Vice President, Americas Service

J. Keith Morgan

Vice President and General Counsel

Marc A. Onetto

Vice President, Manufacturing

Marc J. Saperstein

Vice President, Human Resources

NBC

Robert C. Wright

President and Chief Executive Officer,
National Broadcasting Company, Inc.

Mark W. Begor

Executive Vice President and Chief
Financial Officer

William Bolster

President, CNBC

Richard Cotton

Executive Vice President and General
Counsel

Dick Ebersol

Chairman, Sports and Olympics

John Eck

President, Broadcast and
Network Operations

Randel Falco

President, Television Network

Andrew R. Lack

President, News

Donald W. Ohlmeyer, Jr.

President, NBC-West Coast

Thomas S. Rogers

President, NBC Cable and Business
Development

Scott M. Sassa

President, Entertainment

Edward L. Scanlon

Executive Vice President,
Employee Relations

Patrick T. Wallace

President, Television Stations

Plastics

Gary L. Rogers

President and Chief Executive Officer,
GE Plastics

Ferdinando F. Beccalli

Vice President, GE Plastics-Americas

Charles E. Crew, Jr.

Vice President, Sales

Matthew J. Espe

President and Representative Director,
GE Plastics-Pacific

Craig Arnold

President, GE Plastics-China

Arthur H. Harper

Vice President, Global Manufacturing

Jean M. Heuschen

Vice President, Worldwide Technology

James W. Ireland III

Vice President, Finance

Paul F. McBride

Vice President, GE Silicones

Robert E. Muir, Jr.

Vice President, Human Resources

Peter Y. Solmssen

Vice President and General Counsel

Uwe S. Wascher

Senior Managing Director,
GE Plastics-Europe

William A. Woodburn

Vice President, GE Superabrasives

Power Systems

Robert L. Nardelli

President and Chief Executive Officer,
GE Power Systems

Ricardo Artigas

Vice President, GE Energy Services

Ernest H. Gault

Vice President, Global Services
Operations

Ellen S. Smith

Vice President, Sales

Francis S. Blake

Vice President, Business Development

Stephen B. Bransfield

Vice President, Power Generation
Production

Jon A. Ebacher

Vice President, Power Generation
Technology

Elizabeth K. Lanier

Vice President and General Counsel

Mark M. Little

Vice President, Global Power Plants

John C. Loomis

Vice President, Human Resources

Thomas P. Saddle mire

Vice President, Finance

Steven R. Specker

Vice President, Nuclear Energy

Richard R. Stewart

President, S&S Energy Products

Dennis K. Williams

President and Chief Executive Officer,
Nuovo Pignone

Pier Luigi Ferrara

Deputy Chief Executive, Nuovo
Pignone

Delbert L. Williamson

President, Global Sales

William G. Wert

Vice President, Global Sales

Transportation Systems

John G. Rice

President and Chief Executive Officer,
GE Transportation Systems

Information Services

Gary M. Reiner

Chairman, GE Information Services;
and Senior Vice President and
Chief Information Officer,
General Electric Company

Harvey F. Seegers

President and Chief Executive Officer,
GE Information Services

GE Supply

William L. Meddaugh

President and Chief Executive Officer,
GE Supply

International

Scott R. Bayman

President and Chief Executive Officer,
GE India

Jay F. Lapin

President and Chief Executive Officer,
GE Japan

John T. McCarter

President and Chief Executive Officer,
GE Latin America

Alistair C. Stewart

President, GE Middle East, Africa,
Central and Eastern Europe

Licensing/Trading

Stuart A. Fisher

President and Chief Executive Officer,
GE and RCA Licensing Management
Operation, Inc. and GE Trading Company

Marketing and Sales

Thomas E. Cooper

Vice President, Washington Operations

Albert J. Febbo

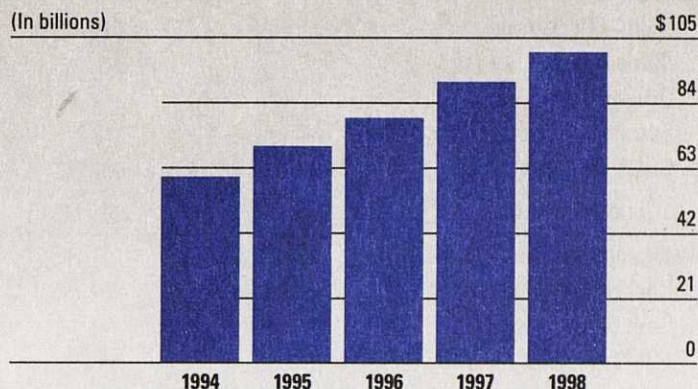
Vice President, GE Automotive and
Corporate Marketing

Financial Section

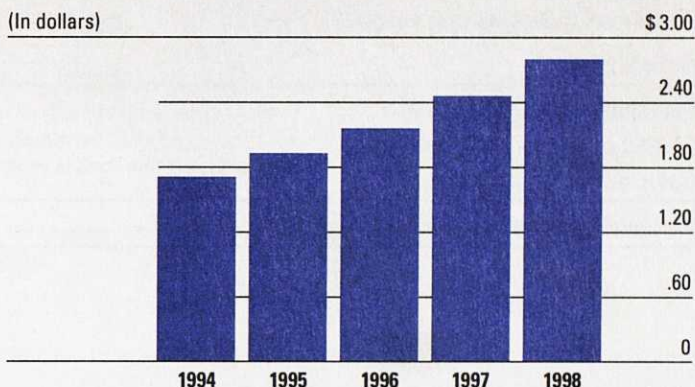
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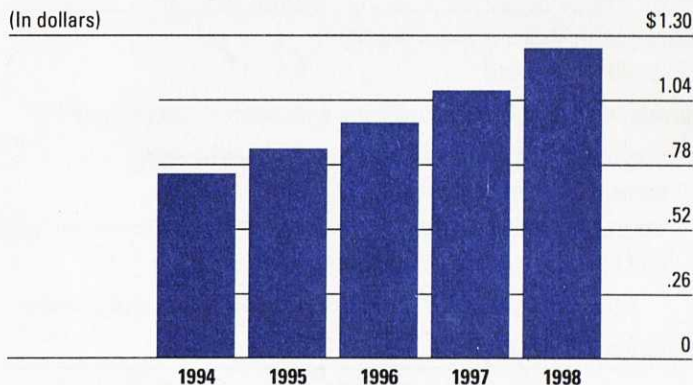
Consolidated revenues



Earnings per share from continuing operations



Dividends declared per share



Statement of Earnings

General Electric Company
and consolidated affiliates

For the years ended December 31 (In millions; per-share amounts in dollars)

	1998	1997	1996
Revenues			
Sales of goods	\$ 43,749	\$ 40,675	\$ 36,106
Sales of services	14,938	12,729	11,791
Other income (note 2)	649	2,300	638
Earnings of GECS	—	—	—
GECS revenues from services (note 3)	41,133	35,136	30,644
Total revenues	100,469	90,840	79,179
Costs and expenses (note 4)			
Cost of goods sold	31,772	30,889	26,298
Cost of services sold	10,508	9,199	8,293
Interest and other financial charges	9,753	8,384	7,904
Insurance losses and policyholder and annuity benefits	9,608	8,278	6,678
Provision for losses on financing receivables (note 7)	1,609	1,421	1,033
Other costs and expenses	23,477	21,250	17,898
Minority interest in net earnings of consolidated affiliates	265	240	269
Total costs and expenses	86,992	79,661	68,373
Earnings before income taxes	13,477	11,179	10,806
Provision for income taxes (note 8)	(4,181)	(2,976)	(3,526)
Net earnings	\$ 9,296	\$ 8,203	\$ 7,280
Per-share amounts (note 9)			
Diluted earnings per share	\$ 2.80	\$ 2.46	\$ 2.16
Basic earnings per share	\$ 2.84	\$ 2.50	\$ 2.20
Dividends declared per share	\$ 1.25	\$ 1.08	\$ 0.95

Consolidated Statement of Changes in Share Owners' Equity

(In millions)

	1998	1997	1996
Changes in share owners' equity			
Balance at January 1	\$ 34,438	\$ 31,125	\$ 29,609
Dividends and other transactions with share owners (note 25)	(5,178)	(5,615)	(5,318)
Changes other than transactions with share owners			
Increases attributable to net earnings	9,296	8,203	7,280
Unrealized gains (losses) on investment securities — net (note 25)	264	1,467	(329)
Currency translation adjustments (note 25)	60	(742)	(117)
Total changes other than transactions with share owners	9,620	8,928	6,834
Balance at December 31	\$ 38,880	\$ 34,438	\$ 31,125

The notes to consolidated financial statements on pages 48-68 are an integral part of these statements.

GE

GECS

1998	1997	1996	1998	1997	1996
\$ 36,376	\$ 36,059	\$ 34,196	\$ 7,374	\$ 4,622	\$ 1,926
15,170	12,893	11,923	—	—	—
684	2,307	629	—	—	—
3,796	3,256	2,817	—	—	—
—	—	—	41,320	35,309	30,787
56,026	54,515	49,565	48,694	39,931	32,713
24,996	26,747	24,594	6,777	4,147	1,720
10,740	9,363	8,425	—	—	—
883	797	595	8,966	7,649	7,326
—	—	—	9,608	8,278	6,678
—	—	—	1,609	1,421	1,033
7,177	7,476	6,274	16,426	13,893	11,741
117	119	102	148	121	167
43,913	44,502	39,990	43,534	35,509	28,665
12,113	10,013	9,575	5,160	4,422	4,048
(2,817)	(1,810)	(2,295)	(1,364)	(1,166)	(1,231)
\$ 9,296	\$ 8,203	\$ 7,280	\$ 3,796	\$ 3,256	\$ 2,817

In the consolidating data on this page, "GE" means the basis of consolidation as described in note 1 to the consolidated financial statements; "GECS" means General Electric Capital Services, Inc. and all of its affiliates and associated companies. Transactions between GE and GECS have been eliminated from the "General Electric Company and consolidated affiliates" columns on page 26.

1997 restructuring and other special charges are included in the following GE captions: "Cost of goods sold" — \$1,364 million; "Cost of services sold" — \$250 million; and "Other costs and expenses" — \$708 million.

Statement of Financial Position

General Electric Company
and consolidated affiliates

At December 31 (In millions)

	1998	1997
Assets		
Cash and equivalents	\$ 4,317	\$ 5,817
Investment securities (note 10)	78,717	70,617
Current receivables (note 11)	8,224	8,917
Inventories (note 12)	6,049	5,817
Financing receivables (investments in time sales, loans and financing leases) — net (notes 7 and 13)	121,566	103,717
Other GECS receivables (note 14)	24,789	17,617
Property, plant and equipment (including equipment leased to others) — net (note 15)	35,730	32,317
Investment in GECS	—	—
Intangible assets — net (note 16)	23,635	19,117
All other assets (note 17)	52,908	39,817
Total assets	\$ 355,935	\$ 304,017
Liabilities and equity		
Short-term borrowings (note 19)	\$ 115,378	\$ 98,017
Accounts payable, principally trade accounts	12,502	10,417
Progress collections and price adjustments accrued	2,765	2,317
Dividends payable	1,146	917
All other GE current costs and expenses accrued (note 18)	9,788	8,817
Long-term borrowings (note 19)	59,663	46,617
Insurance liabilities, reserves and annuity benefits (note 20)	77,259	67,217
All other liabilities (note 21)	24,939	22,717
Deferred income taxes (note 22)	9,340	8,617
Total liabilities	312,780	265,817
Minority interest in equity of consolidated affiliates (note 23)	4,275	3,617
Accumulated unrealized gains on investment securities — net (a)	2,402	2,117
Accumulated currency translation adjustments (a)	(738)	(717)
Common stock (3,271,296,000 and 3,264,592,000 shares outstanding at year-end 1998 and 1997, respectively)	594	517
Other capital	6,808	4,417
Retained earnings	48,553	43,317
Less common stock held in treasury	(18,739)	(15,217)
Total share owners' equity (notes 25 and 26)	38,880	34,417
Total liabilities and equity	\$ 355,935	\$ 304,017

The notes to consolidated financial statements on pages 48-68 are an integral part of this statement.

(a) The sum of accumulated unrealized gains on investment securities and accumulated currency translation adjustments constitutes "Accumulated nonowner change in equity other than earnings," as shown in note 25, and was \$1,664 million and \$1,340 million at year-end 1998 and 1997, respectively.

GE

GECS

1998	1997	1998	1997
\$ 1,175	\$ 1,157	\$ 3,342	\$ 4,904
259	265	78,458	70,356
8,483	9,054	—	—
5,305	5,109	744	786
—	—	121,566	103,799
—	—	25,973	18,332
11,694	11,118	24,036	21,198
19,727	17,239	—	—
9,996	8,755	13,639	10,366
18,031	14,729	35,539	25,667
\$ 74,670	\$ 67,426	\$ 303,297	\$ 255,408
\$ 3,466	\$ 3,629	\$ 113,162	\$ 95,274
4,845	4,779	8,815	6,490
2,765	2,316	—	—
1,146	979	—	—
9,708	8,763	—	—
681	729	59,038	45,989
—	—	77,259	67,270
12,613	11,539	12,247	11,067
(250)	(315)	9,590	8,966
34,974	32,419	280,111	235,056
816	569	3,459	3,113
2,402	2,138	2,376	2,135
(738)	(798)	(215)	(185)
594	594	1	1
6,808	4,434	2,490	2,337
48,553	43,338	15,075	12,951
(18,739)	(15,268)	—	—
38,880	34,438	19,727	17,239
\$ 74,670	\$ 67,426	\$ 303,297	\$ 255,408

In the consolidating data on this page, "GE" means the basis of consolidation as described in note 1 to the consolidated financial statements; "GECS" means General Electric Capital Services, Inc. and all of its affiliates and associated companies. Transactions between GE and GECS have been eliminated from the "General Electric Company and consolidated affiliates" columns on page 28.

Statement of Cash Flows

General Electric Company
and consolidated affiliates

For the years ended December 31 (In millions)

	1998	1997	1996
Cash flows from operating activities			
Net earnings	\$ 9,296	\$ 8,203	\$ 7,288
Adjustments to reconcile net earnings to cash provided from operating activities			
Depreciation and amortization of property, plant and equipment	4,377	4,082	3,788
Amortization of goodwill and other intangibles	1,483	1,187	988
Earnings retained by GECS	—	—	—
Deferred income taxes	1,143	284	1,143
Decrease in GE current receivables	649	250	111
Decrease (increase) in inventories	150	(386)	(131)
Increase (decrease) in accounts payable	1,576	200	64
Increase in insurance liabilities, reserves and annuity benefits	3,670	1,669	1,491
Provision for losses on financing receivables	1,609	1,421	1,031
All other operating activities	(4,593)	(2,670)	1,500
Cash from operating activities	19,360	14,240	17,855
Cash flows from investing activities			
Additions to property, plant and equipment	(8,982)	(8,388)	(7,761)
Dispositions of property, plant and equipment	4,043	2,251	1,361
Net increase in GECS financing receivables	(6,301)	(1,898)	(2,271)
Payments for principal businesses purchased	(18,610)	(5,245)	(5,511)
All other investing activities	(10,283)	(4,995)	(6,021)
Cash used for investing activities	(40,133)	(18,275)	(20,211)
Cash flows from financing activities			
Net increase in borrowings (maturities of 90 days or less)	16,881	13,684	11,821
Newly issued debt (maturities longer than 90 days)	42,008	21,249	23,151
Repayments and other reductions (maturities longer than 90 days)	(32,814)	(23,787)	(25,901)
Net purchase of GE shares for treasury	(2,819)	(2,815)	(2,321)
Dividends paid to share owners	(3,913)	(3,411)	(3,051)
All other financing activities	(114)	785	211
Cash from (used for) financing activities	19,229	5,705	3,721
Increase (decrease) in cash and equivalents during year	(1,544)	1,670	1,365
Cash and equivalents at beginning of year	5,861	4,191	2,826
Cash and equivalents at end of year	\$ 4,317	\$ 5,861	\$ 4,191
Supplemental disclosure of cash flows information			
Cash paid during the year for interest	\$ (9,297)	\$ (8,264)	\$ (7,871)
Cash paid during the year for income taxes	(2,098)	(1,937)	(1,351)

The notes to consolidated financial statements on pages 48-68 are an integral part of this statement.

GE

GECS

1998	1997	1996	1998	1997	1996
\$ 9,296	\$ 8,203	\$ 7,280	\$ 3,796	\$ 3,256	\$ 2,817
1,761	1,622	1,635	2,616	2,460	2,150
531	407	328	952	780	655
(2,124)	(1,597)	(1,836)	—	—	—
594	(514)	68	549	798	1,077
520	215	152	—	—	—
69	(145)	(76)	81	(244)	(58)
199	237	197	1,673	(64)	318
—	—	—	3,670	1,669	1,491
—	—	—	1,609	1,421	1,033
(814)	889	1,319	(3,991)	(3,851)	284
10,032	9,317	9,067	10,955	6,225	9,767
(2,047)	(2,191)	(2,389)	(6,935)	(6,197)	(5,371)
6	39	30	4,037	2,212	1,333
—	—	—	(6,301)	(1,898)	(2,278)
(1,455)	(1,425)	(1,122)	(17,155)	(3,820)	(4,394)
477	483	(106)	(11,078)	(5,646)	(6,090)
(3,019)	(3,094)	(3,587)	(37,432)	(15,349)	(16,800)
1,015	809	974	16,288	13,594	11,026
509	424	252	41,440	20,825	22,901
(1,787)	(1,030)	(1,250)	(31,027)	(22,757)	(24,656)
(2,819)	(2,815)	(2,323)	—	—	—
(3,913)	(3,411)	(3,050)	(1,672)	(1,653)	(981)
—	—	—	(114)	785	28
(6,995)	(6,023)	(5,397)	24,915	10,794	8,318
18	200	83	(1,562)	1,670	1,285
1,157	957	874	4,904	3,234	1,949
\$ 1,175	\$ 1,157	\$ 957	\$ 3,342	\$ 4,904	\$ 3,234
\$ (620)	\$ (467)	\$ (411)	\$ (8,677)	\$ (7,797)	\$ (7,463)
(1,151)	(1,596)	(1,286)	(947)	(341)	(106)

In the consolidating data on this page, "GE" means the basis of consolidation as described in note 1 to the consolidated financial statements; "GECS" means General Electric Capital Services, Inc. and all of its affiliates and associated companies. Transactions between GE and GECS have been eliminated from the "General Electric Company and consolidated affiliates" columns on page 30.

Management's Discussion of Financial Responsibility

The financial data in this report, including the audited financial statements, have been prepared by management using the best available information and applying judgment. Accounting principles used in preparing the financial statements are those that are generally accepted in the United States.

Management believes that a sound, dynamic system of internal financial controls that balances benefits and costs provides a vital ingredient for the Company's Six Sigma quality program as well as the best safeguard for Company assets. Professional financial managers are responsible for implementing and overseeing the financial control system, reporting on management's stewardship of the assets entrusted to it by share owners and maintaining accurate records.

GE is dedicated to the highest standards of integrity, ethics and social responsibility. This dedication is reflected in written policy statements covering, among other subjects, environmental protection, potentially conflicting outside interests of employees, compliance with antitrust laws, proper business practices, and adherence to the highest standards of conduct and practices in transactions with the U.S. government. Management continually emphasizes to all employees that even the appearance of impropriety can erode public confidence in the Company. Ongoing

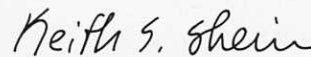
education and communication programs and review activities, such as those conducted by the Company's Policy Compliance Review Board, are designed to create a strong compliance culture — one that encourages employees to raise their policy questions and concerns and that prohibits retribution for doing so.

KPMG LLP provides an objective, independent review of management's discharge of its obligations relating to the fairness of reporting of operating results and financial condition. Their report for 1998 appears below.

The Audit Committee of the Board (consisting solely of Directors from outside GE) maintains an ongoing appraisal — on behalf of share owners — of the activities and independence of the Company's independent auditors, the activities of its internal audit staff, financial reporting process, internal financial controls and compliance with key Company policies.



John F. Welch, Jr.
Chairman of the Board and
Chief Executive Officer



Keith S. Sherin
Senior Vice President, Finance, and
Chief Financial Officer

February 12, 1999

Independent Auditors' Report

To Share Owners and Board of Directors of General Electric Company

We have audited the accompanying statement of financial position of General Electric Company and consolidated affiliates as of December 31, 1998 and 1997, and the related statements of earnings, changes in share owners' equity and cash flows for each of the years in the three-year period ended December 31, 1998. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements.

An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the aforementioned financial statements appearing on pages 26–31, 36, and 48–68 present fairly, in all material respects, the financial position of General Electric Company and consolidated affiliates at December 31, 1998 and 1997, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 1998, in conformity with generally accepted accounting principles.



KPMG LLP
Stamford, Connecticut

February 12, 1999

Management's Discussion of Operations

Overview

General Electric Company's consolidated financial statements represent the combination of the Company's manufacturing and nonfinancial services businesses ("GE") and the accounts of General Electric Capital Services, Inc. ("GECS"). See note 1 to the consolidated financial statements, which explains how the various financial data are presented.

Management's Discussion of Operations is presented in three parts: Consolidated Operations, Segment Operations and International Operations.

Consolidated Operations

GE achieved record revenues, earnings and cash generation in 1998. This year's performance again demonstrated the benefits of GE's continuing emphasis on growth in services, Six Sigma quality and globalization.

Revenues, including acquisitions, rose to a record \$100.5 billion in 1998, up 11% from 1997. This increase was primarily attributable to continued growth from global activities and product services. Revenues were \$90.8 billion in 1997, a 15% increase from 1996 attributable primarily to increased global activities and higher sales of product services.

Earnings increased to a record \$9.296 billion, a 13% increase from \$8.203 billion reported in 1997. Earnings per share increased to \$2.80 during 1998, up 14% from the prior year's \$2.46. Except as otherwise noted, earnings per share are presented on a diluted basis. Earnings in 1997 rose 13% from \$7.280 billion reported in 1996. In 1997, earnings per share increased 14% from \$2.16 per share in 1996. Growth rates in earnings per share exceeded growth rates in earnings as a result of the ongoing repurchase of shares under the six-year, \$17 billion share repurchase plan initiated in December 1994.

A consolidated statement of changes in share owners' equity is provided on page 26, summarizing information about movements in equity from transactions with share owners and other sources. Additional information about such changes is provided in note 25.

New accounting standards issued in 1998 are described below.

Statement of Financial Accounting Standards (SFAS) No. 133, *Accounting for Derivative Instruments and Hedging Activities*, requires that, upon adoption, all derivative instruments (including certain derivative instruments embedded in other contracts) be

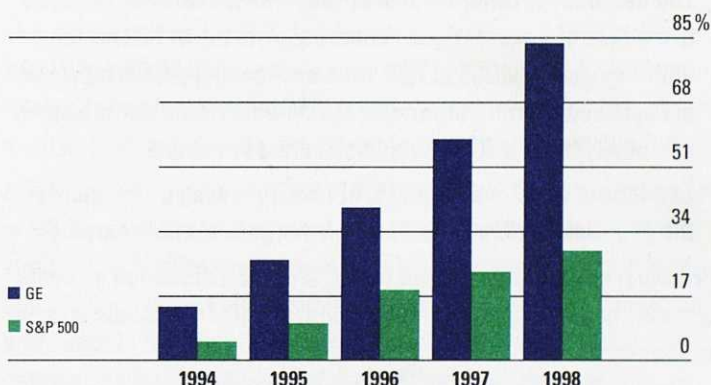
recognized in the balance sheet at fair value, and that changes in such fair values be recognized in earnings unless specific hedging criteria are met. Changes in the values of derivatives that meet these hedging criteria will ultimately offset related earnings effects of the hedged items; effects of certain changes in fair value are recorded in equity pending recognition in earnings. GE will adopt the Statement on January 1, 2000. The impact of adoption will be determined by several factors, including the specific hedging instruments in place and their relationships to hedged items, as well as market conditions. Management has not estimated the effects of adoption as it believes that such determination will not be meaningful until closer to the adoption date.

Statement of Position (SOP) 98-5, *Reporting on the Costs of Start-Up Activities*, provides guidance on accounting for start-up costs and organization costs, which must be expensed as incurred. The SOP, which is consistent with GE's previous accounting policy, is effective for financial statements beginning January 1, 1999.

Dividends declared in 1998 amounted to \$4.081 billion. Per-share dividends of \$1.25 were up 16% from 1997, following a 14% increase from the preceding year. GE has rewarded its share owners with 23 consecutive years of dividend growth. The chart below illustrates that GE's dividend growth for the past five years has significantly outpaced dividend growth of companies in the Standard & Poor's 500 stock index.

Return on average share owners' equity reached 25.7% in 1998, up from 25.0% and 24.0% in 1997 and 1996, respectively.

GE/S&P cumulative dividend growth since 1993



Except as otherwise noted, the analysis in the remainder of this section presents GE results with GECS on an equity basis.

GE total revenues were \$56.0 billion in 1998, compared with \$54.5 billion in 1997 and \$49.6 billion in 1996.

- GE sales of goods and services were \$51.5 billion in 1998, an increase of 5% from 1997, which in turn was 6% higher than in 1996. Volume was about 8% higher in 1998, including acquisitions, reflecting growth in most businesses during the year. While overall selling prices were down slightly in 1998, the effects of selling prices on sales in various businesses differed markedly. Revenues were also negatively affected by exchange rates for sales denominated in other than U.S. dollars. Volume in 1997 was about 9% higher than in 1996, with selling price and currency effects both slightly negative.

For purposes of the required financial statement display of GE sales and costs of sales on pages 26 and 27, "goods" refers to tangible products, and "services" refers to all other sales, including broadcasting and information services activities. An increasingly important element of GE sales relates to product services, including both spare parts (goods) as well as repair services. Sales of product services were \$12.6 billion in 1998, including acquisitions, a strong double-digit increase over 1997. Nearly all businesses reported increases in product services revenues, led by double-digit increases at Aircraft Engines, Transportation Systems and Power Systems. Operating margin from product services was approximately \$2.8 billion, up from \$2.5 billion in 1997. This improvement was primarily attributable to strong growth at Aircraft Engines and Power Systems.

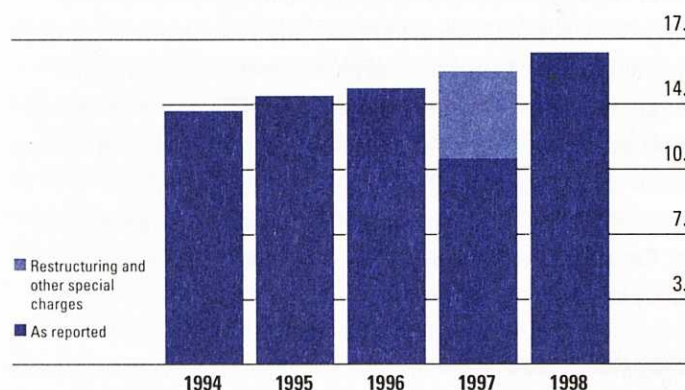
- GE other income, earned from a wide variety of sources, was \$0.7 billion in 1998, \$2.3 billion in 1997 and \$0.6 billion in 1996. The decrease in other income in 1998 was primarily attributable to the lack of a current-year counterpart to the \$1,538 million after-tax gain realized in 1997 from exchanging preferred stock in Lockheed Martin Corporation (Lockheed Martin) for the stock of a newly formed subsidiary as described in note 2.
- Earnings of GECS were up 17% in 1998, following a 16% increase the year before. See page 37 for an analysis of these earnings.

Principal costs and expenses for GE are those classified as costs of goods and services sold, and selling, general and administrative expenses.

The Six Sigma quality initiative is an important factor affecting GE's cost structure. The benefits of Six Sigma quality are reflected in both variable and base cost productivity (discussed on page 35) as well as in lower direct material costs.

Comparisons between 1998 and 1997 costs and expenses are affected by restructuring and other special charges amounting to

GE operating margin as a percentage of sales



\$2,322 million recorded in the fourth quarter of 1997. Aggregate restructuring charges of \$1,243 million covered certain costs of plans that will enhance GE's global competitiveness through rationalization of certain production, service and administration activities of its worldwide industrial businesses; among these charges were \$577 million of special early retirement pension, health and life benefit costs, including a one-time voluntary early retirement program that was provided to the U.S. work force in 1997 labor contracts. Also included in restructuring charges were other severance costs as well as certain costs of exiting affected properties, including site demolitions, asset write-offs and expected losses on subleases.

Other special charges amounting to \$1,079 million were also recorded in 1997, principally associated with strategic decision to enhance the long-term competitiveness of certain industrial businesses and fourth-quarter developments arising from past activities at several current and former manufacturing sites not associated with any current business segments. Such special charges included \$275 million to reflect higher estimated manufacturing costs to fill firm customer orders for an aircraft engine program and \$261 million that related principally to gas turbine warranty costs and costs arising from renegotiation and resolution of certain disputes in the Power Systems business.

As discussed on page 35, restructuring and other special charges are not allocated to segments for purposes of measuring segment profit.

Operating margin is sales of goods and services less the costs of goods and services sold, and selling, general and administrative expenses. GE operating margin reached a record 16.7% of sales in 1998, compared with 15.7% achieved in 1997 before the effects of restructuring and other special charges, and 14.8% in 1996. Including restructuring and other special charges, GE reported operating margin of 11.0% of sales in 1997. The improvement in ongoing

operating margin in 1998 was broad-based, with improvements in a majority of GE's businesses reflecting the increasing benefits from GE's product services and Six Sigma quality initiatives.

Total cost productivity (sales in relation to costs, both on a constant dollar basis) has paralleled the significant improvement in GE's ongoing operating margin. Total cost productivity in 1998 was 4.4%, reflecting benefits from the Six Sigma quality initiative as well as higher volume. Three businesses — Medical Systems, Power Systems and NBC — achieved productivity in excess of 5%. Total cost productivity was 4.2% in 1997, reflecting Six Sigma benefits and the positive effects of higher volume. In 1997, three businesses — Power Systems, NBC and Plastics — reported productivity in excess of 5%. The total contribution of productivity in the last two years offset not only the negative effects of total cost inflation, but also the effects of selling price decreases.

GE interest and other financial charges in 1998 amounted to \$883 million, compared with \$797 million in 1997 and \$595 million in 1996. Lower interest rates in 1998 and 1997 were more than offset by higher average levels of borrowings and other financing activities.

Income taxes on a consolidated basis were 31.0% of pretax earnings in 1998, compared with 26.6% in 1997 and 32.6% in 1996. The most significant factor explaining 1997's lower effective tax rate was the 4.8% decrease attributable to the realized gain on the tax-free exchange of Lockheed Martin Corporation preferred stock. A more detailed analysis of the differences between the U.S. federal statutory rate and the consolidated rate, as well as other information about income tax provisions, is provided in note 8.

Return on average total capital invested was 23.9% at year-end 1998, compared with 23.6% in 1997 and 22.2% in 1996.

Segment Operations

Revenues and segment profit for operating segments are shown on page 36. At year-end 1998, GE adopted SFAS No. 131, *Disclosures about Segments of an Enterprise and Related Information*, which requires segment data to be measured and analyzed on a basis that is consistent with how business activities are reported internally to management. The most significant change from previous Annual Reports is that restructuring and other special charges are not included in the measure of segment profit. Previously reported data have been restated as required by SFAS No. 131. For additional information, including a description of the products and services included in each segment, see note 28.

Aircraft Engines achieved a 32% increase in revenues in 1998, following a 24% increase in 1997, on higher volume in commercial engines and product services, including acquisitions, in both years. Operating profit increased 30% in 1998, and 13% in 1997,

largely as a result of strong growth in product services as well as good volume growth in commercial engines.

In 1998, \$1.6 billion of Aircraft Engines revenues were from sales to the U.S. government, an increase of \$0.1 billion from 1997, which was \$0.3 billion lower than in 1996.

Aircraft Engines received orders of \$10.8 billion in 1998, up \$1.9 billion from 1997. The backlog at year-end 1998 was \$9.7 billion (\$9.5 billion at the end of 1997). Of the total, \$7.5 billion related to products, about 52% of which was scheduled for delivery in 1999, and the remainder related to 1999 product services.

Appliances revenues were 3% lower than a year ago, reflecting primarily selling price decreases and, to a lesser extent, lower volume. Operating profit was 2% lower as the decreases in selling prices and volume more than offset productivity from Six Sigma. Revenues in 1997 were 4% higher than in 1996, reflecting primarily acquisition-related volume. Operating profit increased 3% in 1997, primarily as a result of productivity and higher volume, partially offset by lower selling prices.

Industrial Products and Systems revenues increased 2% in 1998, primarily as a result of volume increases at Transportation Systems and Industrial Systems that were partially offset by lower selling prices across most businesses in the segment. Operating profit increased 5%, reflecting productivity from Six Sigma and the improvement in volume, which more than offset the effects of selling price decreases. Revenues rose 6% in 1997 as improved volume more than offset weaker pricing across all businesses in the segment. Operating profit increased 13% in 1997, the result of Six Sigma-based productivity and volume improvements across the segment, which more than offset the effects of lower selling prices.

Transportation Systems received orders of \$2.4 billion in 1998, about the same as in 1997. The backlog at year-end 1998 was \$2.3 billion (\$2.0 billion at the end of 1997). Of the total, \$2.1 billion related to products, about 83% of which was scheduled for shipment in 1999, and the remainder related to 1999 product services.

NBC revenues increased 2% in 1998, reflecting higher revenues in NBC's owned-and-operated stations, including revenues from station acquisitions and growth in cable operations, the combination of which more than offset lower network revenues. Operating profit was 11% higher than a year ago as improved results in international, cable operations and owned-and-operated stations, as well as cost reductions across NBC, more than offset higher license fees for certain prime-time programs that were renewed. Revenues decreased 2% in 1997 as a strong advertising marketplace was more than offset by the absence of a 1997 counterpart to NBC's broadcast of the 1996 Summer Olympic Games. Operating profit increased 19% in 1997, reflecting improved prime-time

Summary of Operating Segments

General Electric Company and consolidated affiliates

For the years ended December 31 (In millions)

	1998	1997	1996	1995	1994
Revenues					
GE					
Aircraft Engines	\$ 10,294	\$ 7,799	\$ 6,302	\$ 6,098	\$ 5,837
Appliances	5,619	5,801	5,586	5,137	5,200
Industrial Products and Systems	11,222	10,984	10,401	10,209	9,377
NBC	5,269	5,153	5,232	3,919	3,366
Plastics	6,633	6,695	6,509	6,647	5,688
Power Systems	8,466	7,915	7,643	6,962	6,355
Technical Products and Services	5,323	4,861	4,700	4,430	4,288
All Other	264	308	291	292	255
Eliminations	(1,367)	(1,176)	(1,032)	(1,082)	(1,066)
Total GE segment revenues	51,723	48,340	45,632	42,612	39,277
Corporate items (a)	507	2,919	1,116	1,154	1,133
GECS net earnings from continuing operations	3,796	3,256	2,817	2,415	2,088
Total GE revenues	56,026	54,515	49,565	46,181	42,498
GECS segment revenues	48,694	39,931	32,713	26,492	19,877
Eliminations (b)	(4,251)	(3,606)	(3,099)	(2,645)	(2,266)
Consolidated revenues	\$ 100,469	\$ 90,840	\$ 79,179	\$ 70,028	\$ 60,109
Segment profit					
GE					
Aircraft Engines	\$ 1,769	\$ 1,366	\$ 1,214	\$ 1,135	\$ 988
Appliances	755	771	748	682	700
Industrial Products and Systems	1,880	1,789	1,587	1,488	1,300
NBC	1,349	1,216	1,020	797	544
Plastics	1,584	1,500	1,443	1,435	988
Power Systems	1,306	1,203	1,124	782	1,355
Technical Products and Services	1,109	988	855	810	800
All Other	271	310	282	285	244
Total GE operating profit	10,023	9,143	8,273	7,414	6,927
GECS net earnings from continuing operations	3,796	3,256	2,817	2,415	2,088
Total segment profit	13,819	12,399	11,090	9,829	9,015
Corporate items and eliminations (c)	(823)	(1,589)	(920)	(548)	(800)
GE interest and other financial charges	(883)	(797)	(595)	(649)	(410)
GE provision for income taxes	(2,817)	(1,810)	(2,295)	(2,059)	(1,888)
Consolidated net earnings from continuing operations	\$ 9,296	\$ 8,203	\$ 7,280	\$ 6,573	\$ 5,917

The notes to consolidated financial statements on pages 48-68 are an integral part of this statement. "GE" means the basis of consolidation as described in note 1 to the consolidated financial statements; "GECS" means General Electric Capital Services, Inc. and all of its affiliates and associated companies.

- (a) Includes revenues of \$944 million, \$789 million, \$796 million and \$761 million in 1997, 1996, 1995 and 1994, respectively, from an appliance distribution affiliate that was deconsolidated in 1998. Also includes \$1,538 million in 1997 from an exchange of preferred stock in Lockheed Martin Corporation for the stock of a newly formed subsidiary.
- (b) Principally the elimination of GECS net earnings.
- (c) Includes 1997 restructuring and other special charges of \$2,322 million. Of the total, restructuring and other special charges that relate to activities of GE operating segments were as follows: Aircraft Engines — \$342 million, Appliances — \$330 million, Industrial Products and Systems — \$352 million, NBC — \$161 million, Plastics — \$63 million, Power Systems — \$437 million and Technical Products and Services — \$157 million. Also included in 1997 is \$1,538 million associated with the Lockheed Martin Corporation transaction described in (a) above.

pricing, strong growth in both owned-and-operated stations and cable operations, and increased international distribution of programming, the combination of which more than offset the absence of a 1997 counterpart to the Olympics broadcast and higher license fees for certain prime-time programs that were renewed.

Plastics revenues decreased 1% in 1998 as lower selling prices and adverse currency exchange rates offset slightly higher volume. Operating profit in 1998 improved by 6% as lower material costs and productivity from Six Sigma more than offset lower selling prices. Revenues grew 3% in 1997, reflecting an increase in volume that was largely offset by lower selling prices and adverse currency exchange rates. Operating profit increased 4% as Six Sigma-based productivity and higher volume more than offset lower selling prices.

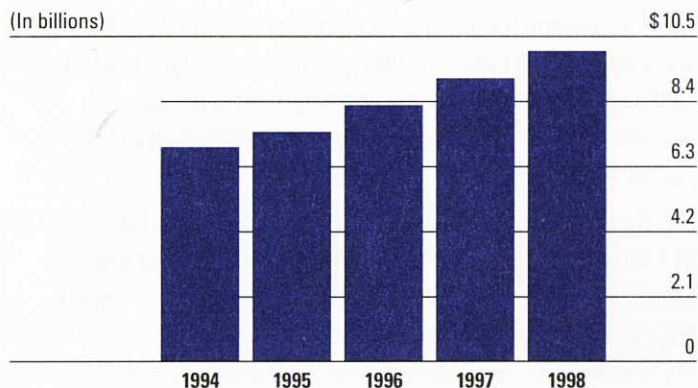
Power Systems revenues increased 7% in 1998, reflecting primarily higher volume in product services, including acquisitions, which was partially offset by lower selling prices. Operating profit increased 9% in 1998 as growth in product services and productivity more than offset the effects of lower selling prices. Revenues in 1997 were 4% higher than in 1996, primarily as a result of higher volume in gas turbines and product services. Operating profit increased by 7%, the result of strong productivity and higher volume, which more than offset lower selling prices.

Power Systems orders were \$10.5 billion for 1998, an increase of more than 50% over 1997, reflecting strong U.S. market growth. The backlog of unfilled orders at year-end 1998 was \$12.4 billion (\$10.5 billion at the end of 1997). Of the total, \$11.3 billion related to products, about 45% of which was scheduled for delivery in 1999, and the remainder related to 1999 product services.

Technical Products and Services revenues rose 10% in 1998, following a 3% increase in 1997. The improvement in revenues in both years was primarily attributable to growth at Medical Systems, the result of higher equipment volume and continued growth in product services, partially offset by lower selling prices across the segment. Operating profit increased 12% in 1998 as productivity from Six Sigma and volume increases, particularly at Medical Systems, more than offset lower selling prices. Operating profit increased 16% in 1997 as productivity and higher volume more than offset the effects of lower selling prices.

Orders received by Medical Systems in 1998 were \$4.8 billion, up \$0.5 billion from 1997. The backlog of unfilled orders at year-end 1998 was \$2.6 billion (\$2.4 billion at the end of 1997). Of the total, \$1.5 billion related to products, about 80% of which was scheduled for delivery in 1999, and the remainder related to 1999 product services.

Operating profit of GE segments



All Other GE revenues and operating profit consist primarily of residual royalty payments and other fees earned from licensing the use of GE technology to others. Effective January 1, 1999, GE transferred certain licenses and intellectual property pursuant to an agreement to sell the former RCA Consumer Electronics business. Details of licensing income derived from these assets is provided in note 2.

GECS consists of 28 businesses that, for purposes of the analysis that follows, are grouped into five operating activities: consumer services, equipment management, mid-market financing, specialized financing and specialty insurance.

GECS net earnings were \$3.796 billion in 1998, up 17% from \$3.256 billion in 1997, which increased 16% from 1996. Each operating activity achieved a double-digit earnings increase in 1998. The improvement in earnings in both 1998 and 1997 was largely attributable to the effects of continued asset growth, principally from acquisitions of businesses and portfolios and higher origination volume.

- GECS total revenues increased 22% to \$48.7 billion in 1998, following a 22% increase to \$39.9 billion in 1997. The increases in both years reflected the contributions of businesses acquired as well as growth in core volume.
- GECS cost of goods sold is associated with activities of its computer equipment distribution businesses. This cost amounted to \$6.8 billion in 1998, compared with \$4.1 billion in 1997 and \$1.7 billion in 1996, principally the result of acquisition-related growth.
- GECS interest on borrowings in 1998 was \$9.0 billion, 17% higher than in 1997, which was 4% higher than in 1996. The increases in 1998 and 1997 were caused by higher average borrowings used to finance asset growth, partially offset by the effects of lower average interest rates. The composite interest rate was

5.92% in 1998, compared with 6.07% in 1997 and 6.24% in 1996. See page 43 for a discussion of interest rate risk management.

- GECS insurance losses and policyholder and annuity benefits increased to \$9.6 billion in 1998, compared with \$8.3 billion in 1997 and \$6.7 billion in 1996, reflecting effects of business acquisitions and growth in premium volume throughout the period.
- GECS provision for losses on financing receivables increased to \$1.6 billion in 1998, compared with \$1.4 billion in 1997 and \$1.0 billion in 1996. These provisions principally related to private-label credit cards, bank credit cards, auto loans and auto leases in the consumer services operations, all of which are discussed on page 39 under financing receivables. The increases principally reflected higher average receivable balances and the effects of delinquency rates — higher during 1997 and lower during 1998 — consistent with industry experience.
- GECS other costs and expenses were \$16.4 billion in 1998, an increase from \$13.9 billion in 1997 and \$11.7 billion in 1996. The increase in both 1998 and 1997 primarily reflected costs associated with acquired businesses and portfolios, higher investment levels and increases in insurance commissions and other costs that vary directly with increased revenues.

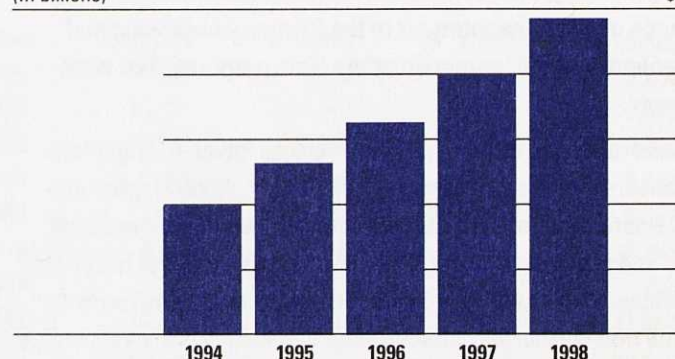
Financing spreads (the excess of yields over interest rates on borrowings) were essentially flat in 1998, 1997 and 1996, reflecting slightly lower yields offset by decreases in borrowing rates.

Revenues and net earnings from operating activities within the GECS segment for the past three years are summarized and discussed below.

(In millions)	1998	1997	1996
Revenues			
Consumer services	\$ 15,948	\$ 13,550	\$ 11,109
Equipment management	14,869	11,326	7,725
Mid-market financing	3,751	3,009	2,781
Specialized financing	3,368	2,828	2,944
Specialty insurance	10,594	8,836	8,185
All other	164	382	(31)
Total revenues	\$ 48,694	\$ 39,931	\$ 32,713
Net earnings			
Consumer services	\$ 797	\$ 544	\$ 791
Equipment management	806	708	603
Mid-market financing	478	391	362
Specialized financing	745	593	563
Specialty insurance	1,166	973	852
All other	(196)	47	(354)
Total net earnings	\$ 3,796	\$ 3,256	\$ 2,817

GECS revenues

(In billions)



Consumer services revenues increased 18% in 1998 and 22% in 1997. This growth — largely acquisition related — was led by higher premium and investment income at GE Financial Assurance, the consumer savings and insurance business of GECS. Asset growth in several of the other consumer services businesses also contributed to the increase in 1998. Net earnings increased 47% in 1998, following a 31% decrease in 1997. Comparisons of revenues and net earnings throughout the period were affected by the operating results of Montgomery Ward Holding Corp., which are discussed on page 40. Net earnings in 1998 also reflected acquisition and core volume growth, led by the Global Consumer Finance and GE Financial Assurance businesses. Overall gains from asset sales, including securitizations, were higher in 1997 than in 1998; gains in 1998 included the sale of certain bankcard assets. Net earnings in 1997 were affected by increased automobile real losses, partially offset by acquisition and core growth, principally at GE Financial Assurance. A higher provision for losses on financing receivables also affected earnings in both years, as discussed previously.

Equipment management revenues grew 31% in 1998, following a 47% increase in 1997, primarily as a result of acquisitions by IT Solutions and, to a lesser extent, asset growth. Net earnings increased 14% in 1998, following a 17% increase in 1997. Increases in both years reflected higher volumes in most businesses resulting from origination growth and acquisitions of businesses and portfolios, with those effects in 1998 partially offset by lower earnings at IT Solutions and Modular Space, primarily the result of lower pricing from competitive market conditions and higher operating expenses.

Mid-market financing revenues increased 25% in 1998, compared with an 8% increase in 1997. Net earnings for these businesses grew 22% and 8% in 1998 and 1997, respectively. Asset growth resulting from higher volumes and acquisitions of businesses and portfolios was the most significant contributing factor in both years. Revenues and net earnings were also favorably affected in 1998 by the disposition of certain assets.

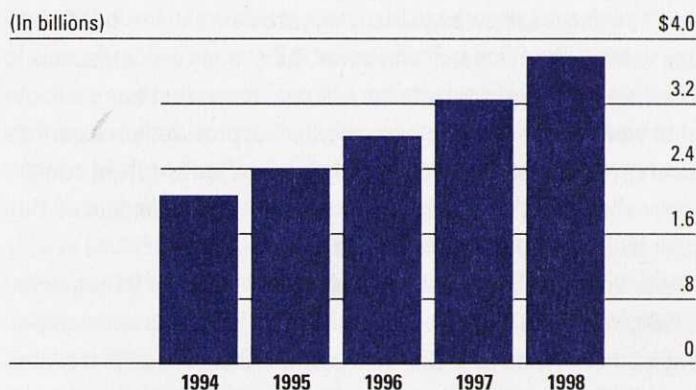
Specialized financing revenues rose 19% and net earnings increased 26% in 1998. The increase in revenues reflected asset growth and a higher level of asset gains, while the increase in net earnings included those factors as well as the effects of certain tax-advantaged transactions and higher levels of tax credits. Revenues decreased 4% in 1997, primarily as a result of lower investment levels. Net earnings increased 5% in 1997, reflecting asset gains and lower levels of asset write-offs.

Specialty insurance revenues and net earnings both increased 20% in 1998, following 8% revenue growth and 14% net earnings growth in 1997. The increases in both years resulted from increased premium and investment income associated with origination volume, acquisitions and continued growth in the investment portfolios, as well as a higher level of realized gains on investment securities. Net earnings in both years were also favorably affected by improved conditions in the Mortgage Insurance business, the result of improvements in loss experience.

Within GE Global Insurance, the principal subsidiary of which is Employers Reinsurance Corporation, net premiums earned increased in 1998, primarily as a result of core and acquisition growth in both the property and casualty and life businesses. GE Global Insurance property and casualty underwriting results improved in 1998, reflecting a general reduction in incurred losses caused by a decline in both the frequency and overall severity of claims, partially offset by the effects of hurricane and other weather-related catastrophe losses. GE Global Insurance net premiums earned on U.S. business increased in 1997 — the result of strong growth in the life reinsurance business — while net premiums earned on European business declined, reflecting the effects of currency translation and market conditions. Property and casualty underwriting results at GE Global Insurance decreased in 1997, reflecting increased underwriting and operating expenses and adverse European market conditions, offset by growth in the life reinsurance business.

All other GECS revenues and net earnings in 1997 included asset gains, the largest of which was \$284 million (net of tax) from a transaction that included the reduction of the GECS investment in the common stock of Paine Webber Group Inc.

GECS net earnings from continuing operations



Financing receivables are the largest GECS asset and one of its primary sources of revenues. The portfolio of financing receivables, before allowance for losses, increased to \$124.9 billion at the end of 1998 from \$106.6 billion at the end of 1997, principally reflecting acquisition growth and origination volume that were partially offset by securitizations and other sales of receivables. The related allowance for losses at the end of 1998 amounted to \$3.3 billion (\$2.8 billion at the end of 1997) and, in management's judgment, is appropriate given the risk profile of the portfolio.

A discussion of the quality of certain elements of the financing receivable portfolio follows. "Nonearning" receivables are those that are 90 days or more delinquent (or for which collection has otherwise become doubtful) and "reduced-earning" receivables are commercial receivables whose terms have been restructured to a below-market yield. The following discussion of the nonearning and reduced-earning receivable balances and write-off amounts excludes amounts related to Montgomery Ward Holding Corp. and affiliates, which are separately discussed on page 40.

Consumer financing receivables at year-end 1998 and 1997 are shown in the following table.

(In millions)	1998	1997
Credit card and personal loans	\$ 28,064	\$ 25,773
Auto loans	9,496	8,973
Auto financing leases	14,063	13,346
Total consumer financing receivables	\$ 51,623	\$ 48,092
Nonearning	\$ 1,250	\$ 1,049
— As percentage of total	2.4%	2.2%
Receivable write-offs for the year	\$ 1,357	\$ 1,298

The increase in credit card and personal loan portfolios primarily resulted from acquisition growth and origination volume, partially offset by securitizations and other sales of receivables.

Both the auto loan and financing lease portfolios increased primarily as a result of acquisition growth; however, the increase in auto financing leases was partially offset by decreases in U.S. lease volume. A substantial amount of the nonearning consumer receivables were private-label credit card loans that were subject to various loss-sharing agreements that provide full or partial recourse to the originating retailer. Increased write-offs of consumer receivables were primarily attributable to the impact of higher average receivable balances.

Other financing receivables, totaling \$73.3 billion at December 31, 1998, consisted of a diverse commercial, industrial and equipment loan and lease portfolio. This portfolio increased \$14.8 billion during 1998, reflecting the combination of acquisition growth and increased origination volume, partially offset by sales of receivables. Related nonearning and reduced-earning receivables were \$354 million at year-end 1998, compared with \$353 million at year-end 1997.

As discussed in note 13, Montgomery Ward Holding Corp. (MWHC) filed a bankruptcy petition for reorganization in 1997. The GECS after-tax share of the losses of MWHC and affiliates was \$49 million in 1998 and \$380 million in 1997. The GECS investment in MWHC and affiliates at year-end was \$622 million in 1998 and \$795 million in 1997 (of which \$578 million and \$617 million, respectively, were classified as financing receivables). GECS also provides revolving credit card financing directly to customers of MWHC and affiliates; such receivables totaled \$3.4 billion at December 31, 1998, including \$1.6 billion that had been sold with recourse. The obligations of customers with respect to these receivables are not affected by the bankruptcy filing. On February 1, 1999, MWHC announced that it plans to emerge from bankruptcy protection in mid-1999 as a result of an agreement reached with the creditors' committee.

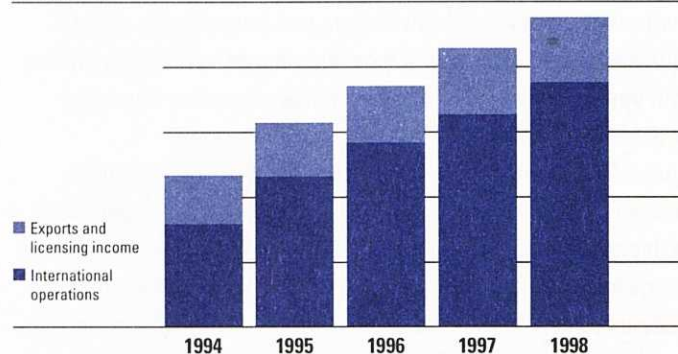
GECS loans and leases to commercial airlines amounted to \$10.2 billion at the end of 1998, up from \$9.0 billion at the end of 1997. GECS commercial aircraft positions also included financial guarantees, funding commitments and aircraft orders as discussed in note 17.

International Operations

Estimated results of international activities include the results of GE and GECS operations located outside the United States, plus all U.S. exports. Certain GECS operations that cannot meaningfully be associated with specific geographic areas are classified as "other international" for this purpose.

Consolidated international revenues

(In billions)



International revenues in 1998 were \$42.8 billion (43% of consolidated revenues), compared with \$38.5 billion in 1997 and \$33.3 billion in 1996. The chart above depicts the growth in international revenues over the past five years.

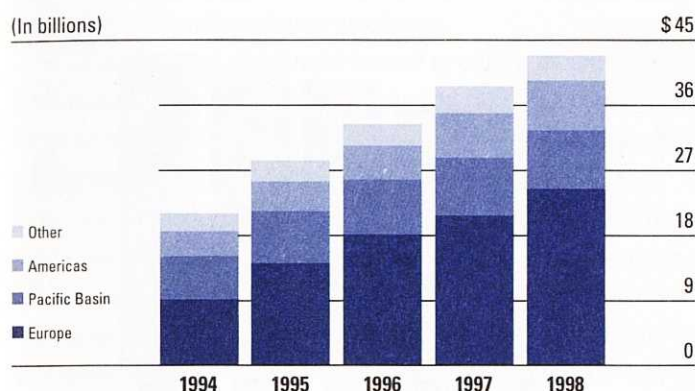
Consolidated international revenues

(In millions)	1998	1997	1996
Europe (a)	\$ 21,665	\$ 18,166	\$ 15,400
Pacific Basin	5,166	4,742	4,400
Americas	5,030	4,632	3,400
Other	1,895	1,788	1,400
	33,756	29,328	25,200
RCA residual licensing income	250	287	200
Exports from the U.S. to external customers	8,751	8,912	7,400
	\$ 42,757	\$ 38,527	\$ 33,300

(a) Includes \$944 million and \$789 million in 1997 and 1996, respectively, from appliance distribution affiliate that was deconsolidated in 1998.

GE international revenues were \$24.6 billion in 1998, an increase of \$0.7 billion from the comparable figure in 1997, which was \$23.9 billion higher than in 1996. Over the three-year period, international revenues were slightly less than half of total revenues. The increase in revenues during 1998 reflected sales growth in operations based outside the United States, partially offset by lower U.S. exports. European revenues were 11% higher in 1998, reflecting increases in both local operations and in exports to the region, with particularly strong growth at Aircraft Engines. As expected, Pacific Basin revenues were 6% lower in 1998, reflecting primarily a decrease in exports to the region. Further information about the activities of GE and GECS in Asia is provided on page 41. International revenues from the Americas (North and South America, except for the United States) increased 8%, primarily as a result of strong growth in exports, particularly at Transportation Systems and Power Systems, and slightly higher revenues from local operations.

Consolidated international revenues by region



GECS international revenues were \$18.2 billion in 1998, an increase of 33% from \$13.7 billion in 1997. International assets grew 36%, from \$79.2 billion at year-end 1997 to \$107.8 billion at the end of 1998. Revenues in Europe increased 38% in 1998, reflecting a mix of acquisition and core growth across all GECS operating activities. At the same time, revenues in the Pacific Basin grew 51%, principally in Japan, and principally as a result of consumer financing acquisitions by Global Consumer Finance and the acquisition of Toho Mutual Life's infrastructure and sales force by GE Financial Assurance. International revenues from the Americas increased 21% in 1998, largely as a result of acquisitions and core growth in Canada and Latin America. Overall, these increases reflect the continued expansion of GECS as a global provider of a wide range of services.

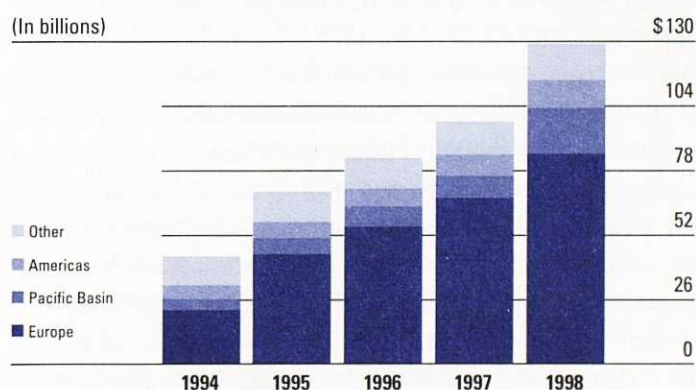
Consolidated international operating profit was \$5.4 billion in 1998, compared with \$5.1 billion in 1997 and \$3.8 billion in 1996. International activities accounted for 36% of consolidated operating profit, about the same as in 1997 on a comparable basis. Additional information is provided in note 29.

Total assets of international operations were \$128.8 billion in 1998 (36% of consolidated assets), an increase of 32% over 1997, reflecting double-digit growth in both GE and GECS activities outside the United States. The increase reflected sharp growth in Asia, where current economic conditions continue to provide a favorable environment for strategic investments. GE and GECS also had strong asset growth in operations based in Europe and the Americas.

The activities of GE and GECS span all global regions and primarily encompass manufacturing for local and export markets, import and sale of products produced in other regions, leasing of aircraft, sourcing for GE plants domiciled in other global regions and provision of financial services within these regional economies. As such, when certain countries such as Russia or regions such as the Pacific Basin and Latin America experience currency and/or economic stress, GE may have increased exposure to certain risks but also may have new profit opportunities. Increased risks include, among other things, higher receivables delinquencies and bad debts, delays or cancellation of sales and orders principally related to power and aircraft-related equipment, higher local currency financing costs and a slowdown in established financial services activities. New profit opportunities include, among other things, lower costs of goods sourced from countries with weakened currencies, more opportunities for lower cost outsourcing, expansion of industrial and financial services activities through purchases of companies or assets at reduced prices and lower U.S. debt financing costs. Thus, while GE's global activities warrant close monitoring and significant management attention, regional economic disruptions had only a modest adverse effect on the overall financial position, results of operations and liquidity of GE and GECS in 1998, and there is little change in the outlook for 1999.

As discussed previously, GE's international activities are diverse. Financial results of those activities reported in U.S. dollars are affected by currency exchange. A number of techniques are used to manage the effects of currency exchange, including selective borrowings in local currencies and selective hedging of significant cross-currency transactions. Principal currencies are the major European currencies, including the euro, as well as the Japanese yen and the Canadian dollar.

Total assets of international operations



Management's Discussion of Financial Resources and Liquidity

Overview

This discussion of financial resources and liquidity addresses the Statement of Financial Position (page 28) and the Statement of Cash Flows (page 30).

GECS is not a "captive finance company" or a vehicle for "off-balance-sheet financing" for GE. Only a small portion of GECS business is directly related to other GE operations. The fundamental differences between GE and GECS are reflected in the measurements commonly used by investors, rating agencies and financial analysts. These differences will become clearer in the discussion that follows with respect to the more significant items in the financial statements.

Statement of Financial Position

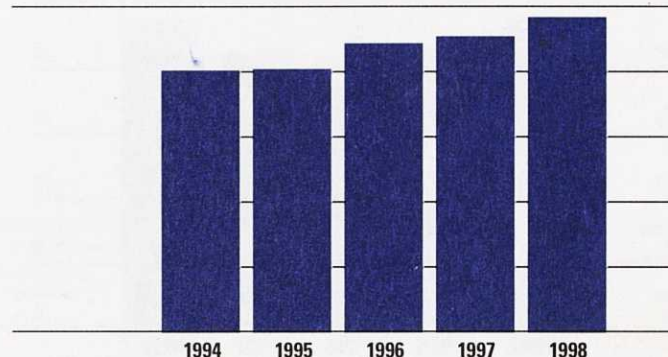
Because GE and GECS share certain significant elements of their Statements of Financial Position — property, plant and equipment, and borrowings, for example — the following discussion addresses significant captions in the "consolidated" statement. Within the following discussions, however, distinction is drawn between GE and GECS activities in order to permit analysis of each individual statement.

Investment securities for each of the past two years comprised mainly investment-grade debt securities held by the specialty insurance and annuity and investment businesses of GECS in support of obligations to policyholders and annuitants. GE investment securities were \$259 million at year-end 1998, about the same as at the end of 1997. The increase of \$8.1 billion at GECS during 1998 was principally related to acquisitions and investment of premiums received. A breakdown of the investment securities portfolio is provided in note 10.

Current receivables for GE were \$8.5 billion at the end of 1998, a decrease of \$0.6 billion from year-end 1997, and included \$5.4 billion due from customers at the end of 1998, which was \$0.7 billion lower than the amount due at the end of 1997. As a measure of asset management, turnover of customer receivables from sales of goods and services was 8.8 in 1998, compared with 7.7 in 1997. Other current receivables are primarily amounts that did not originate from sales of GE goods or services, such as advances to suppliers in connection with large contracts.

Inventories for GE were \$5.3 billion at December 31, 1998, up \$0.2 billion from the end of 1997. GE inventory turnover improved to 8.3 in 1998, compared with 7.8 in 1997, reflecting continuing improvements in inventory management. Last-in, first-out (LIFO) revaluations decreased \$87 million in 1998, compared with decreases of \$119 million in 1997 and \$128 million in 1996. Included in these changes were decreases of \$29 million, \$59 million and \$58 million

GE inventory turnover



in 1998, 1997 and 1996, respectively, that resulted from lower LIFO inventory levels. There were net cost decreases in each of the three years.

Inventories (at FIFO) and customer receivables from sales of goods or services are two key components of GE's working capital turnover measurement. Working capital turnover increased from 6.3 turns in 1996 to 7.4 and 9.2 turns in 1997 and 1998, respectively. Working capital also includes trade accounts payable and progress collections.

GECS inventories were \$744 million and \$786 million at December 31, 1998 and 1997, respectively. The decrease in 1998 primarily reflected improved inventory management in the computer equipment distribution businesses.

Financing receivables of GECS were \$121.6 billion at year-end 1998, net of allowance for doubtful accounts, up \$17.8 billion over 1997. These receivables are discussed on pages 39 and 40 and notes 7 and 13.

Other receivables of GECS were \$26.0 billion and \$18.3 billion at December 31, 1998 and 1997, respectively. Of the 1998 increase of \$3.6 billion was attributable to acquisitions and the remainder resulted from core growth.

Property, plant and equipment (including equipment leased to others) was \$35.7 billion at December 31, 1998, up \$3.4 billion from 1997. GE property, plant and equipment consists of investment in its own productive use, whereas the largest element for GECS is equipment provided to third parties on operating leases. Detailed category of investment can be found in note 15.

GE total expenditures for new plant and equipment during 1998 totaled \$2.0 billion, down \$0.2 billion from 1997. Total expenditures for the past five years were \$10.2 billion, of which 38% was investment for growth through new capacity and product development and 32% was investment in productivity through new equipment and

process improvements; and 30% was investment for such other purposes as improvement of research and development facilities and safety and environmental protection.

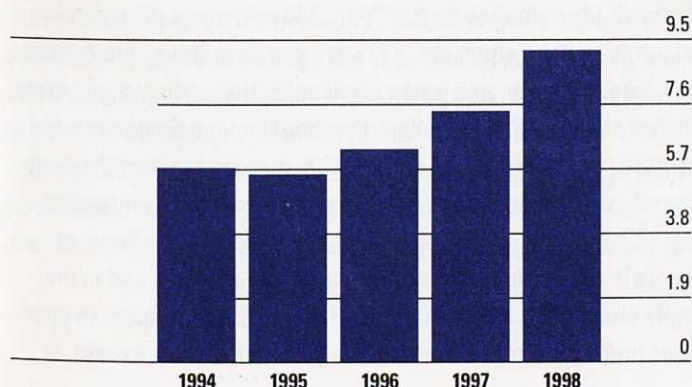
GECS additions to equipment leased to others, including business acquisitions, were \$7.2 billion during 1998 (\$6.8 billion during 1997), primarily reflecting acquisitions of vehicles and aircraft.

Intangible assets were \$23.6 billion at year-end 1998, up from \$19.1 billion at year-end 1997. GE intangibles increased to \$10.0 billion from \$8.8 billion at the end of 1997, principally as a result of goodwill from a number of acquisitions, the largest of which was the equipment services division of Stewart & Stevenson. The \$3.3 billion increase in GECS intangibles also related primarily to goodwill from acquisitions, the largest of which were the consumer finance business of Lake Corporation (Lake) in Japan and Metlife Capital in the United States.

All other assets totaled \$52.9 billion at year-end 1998, an increase of \$13.1 billion from the end of 1997. GE other assets increased \$3.3 billion, principally reflecting an increase in the prepaid pension asset and investments in certain newly acquired affiliates that were not yet consolidated. The increase in GECS other assets of \$9.9 billion related principally to additional investments in associated companies, increases in assets acquired for resale, primarily residential mortgages, and increases in "separate accounts," which are investments controlled by policyholders and are associated with identical amounts reported as insurance liabilities.

Consolidated borrowings aggregated \$175.0 billion at December 31, 1998, compared with \$144.7 billion at the end of 1997. The major debt-rating agencies evaluate the financial condition of GE and of GE Capital (the major public borrowing entity of GECS) differently because of their distinct business characteristics. Using criteria appropriate to each and considering their combined strength, those major rating agencies continue to give the highest ratings to debt of both GE and GE Capital.

GE working capital turnover



GE has committed to contribute capital to GE Capital in the event of either a decrease below a specified level in the ratio of GE Capital's earnings to fixed charges, or a failure to maintain a specified debt-to-equity ratio in the event certain GE Capital preferred stock is redeemed. GE also has guaranteed subordinated debt of GECS with a face amount of \$1.0 billion at December 31, 1998 and 1997. Management believes the likelihood that GE will be required to contribute capital under either the commitments or the guarantees is remote.

GE total borrowings were \$4.1 billion at year-end 1998 (\$3.4 billion short-term, \$0.7 billion long-term), a decrease of \$0.3 billion from year-end 1997. GE total debt at the end of 1998 equaled 9.5% of total capital, down from 11.1% at the end of 1997.

GECS total borrowings were \$172.2 billion at December 31, 1998, of which \$113.2 billion is due in 1999 and \$59.0 billion is due in subsequent years. Comparable amounts at the end of 1997 were \$141.3 billion total, \$95.3 billion due within one year and \$46.0 billion due thereafter. A large portion of GECS borrowings (\$87.0 billion and \$71.2 billion at the end of 1998 and 1997, respectively) was issued in active commercial paper markets that management believes will continue to be a reliable source of short-term financing. Most of this commercial paper was issued by GE Capital. The average remaining terms and interest rates of GE Capital commercial paper were 45 days and 5.35% at the end of 1998, compared with 44 days and 5.83% at the end of 1997. The GE Capital ratio of debt to equity was 7.86 to 1 at the end of 1998 and 7.45 to 1 at the end of 1997.

Interest rate and currency risk management is important in the normal operations of both GE and GECS. The following discussion presents an overview of such management. A related discussion of recent developments in the global economy is provided on page 41.

GE and GECS use various financial instruments, particularly interest rate and currency swaps, but also futures, options and currency forwards, to manage their respective interest rate and currency risks. GE and GECS are exclusively end users of these instruments, which are commonly referred to as derivatives; neither GE nor GECS engages in trading, market-making or other speculative activities in the derivatives markets. Established practices require that derivative financial instruments relate to specific asset, liability or equity transactions or to currency exposures. More detailed information about these financial instruments, as well as the strategies and policies for their use, is provided in notes 1, 19 and 30.

The U.S. Securities and Exchange Commission requires that registrants include information about potential effects of changes in interest rates and currency exchange in their financial statements.

Although the rules offer alternatives for presenting this information, none of the alternatives is without limitations. The following discussion is based on so-called "shock tests," which model effects of interest rate and currency shifts on the reporting company. Shock tests, while probably the most meaningful analysis permitted, are constrained by several factors, including the necessity to conduct the analysis based on a single point in time and by their inability to include the complex market reactions that normally would arise from the market shifts modeled. While the following results of shock tests for interest rates and currencies may have some limited use as benchmarks, they should not be viewed as forecasts.

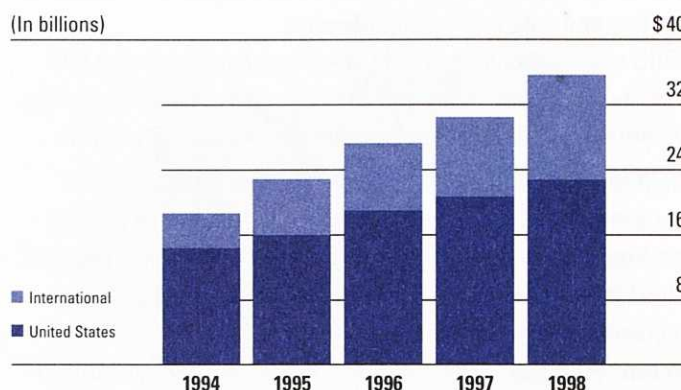
- One means of assessing exposure to interest rate changes is a duration-based analysis that measures the potential loss in net earnings resulting from a hypothetical increase in interest rates of 100 basis points across all maturities (sometimes referred to as a "parallel shift in the yield curve"). Under this model, it is estimated that, all else constant, such an increase, including repricing effects in the securities portfolio, would reduce the 1999 net earnings of GECS based on year-end 1998 positions by approximately \$111 million; the pro forma effect for GE was approximately \$17 million. Based on conditions at year-end 1997, the effect on 1998 net earnings of such an increase in interest rates was estimated to be approximately \$112 million for GECS.

- As shown in the chart above right, the geographic distribution of GE and GECS operations is diverse. One means of assessing exposure to changes in currency exchange rates is to model effects on reported earnings using a sensitivity analysis. Year-end 1998 consolidated currency exposures, including financial instruments designated and effective as hedges, were analyzed to identify GE and GECS assets and liabilities denominated in other than their relevant functional currency. Net unhedged exposures in each currency were then remeasured assuming a 10% decrease (substantially greater decreases for hyperinflationary currencies) in currency exchange rates compared with the U.S. dollar. Under this model, it is estimated that, all else constant, such a decrease would reduce the 1999 net earnings of GE based on year-end 1998 positions by approximately \$11 million; the pro forma effect for GECS was insignificant. Based on conditions at year-end 1997, the effect on 1998 net earnings of such a decrease in exchange rates was estimated to be approximately \$10 million for GE.

Insurance liabilities, reserves and annuity benefits were \$77.3 billion, \$10.0 billion higher than in 1997. The increase was primarily attributable to acquisitions and the increase in separate accounts. For additional information on these liabilities, see note 20.

Consolidated total assets

(In billions)



Year 2000 will test the capability of business processes to function correctly. GE and GECS have undertaken a global effort to identify and mitigate Year 2000 issues in their information systems, products, facilities and suppliers. Each business has a Year 2000 leader who oversees a multifunctional remediation project team responsible for applying a Six Sigma quality approach in four phases: (1) *define/measure* – identify and inventory possible sources of Year 2000 issues; (2) *analyze* – determine the nature and extent of Year 2000 issues and develop project plans to address those issues; (3) *improve* – execute project plans and perform a major portion of the testing; and (4) *control* – complete testing, continue monitoring readiness and complete necessary contingency plans. The progress of this program is monitored at each business, and Company-wide reviews with senior management are conducted quarterly. The first three phases of the program have been completed for a substantial majority of mission-critical activities. Management plans to have nearly all significant information systems, products and facilities through the control phase of the program by mid-1999.

The scope of the global Year 2000 effort encompasses approximately 170,000 applications and computer programs; 8,000 types of installed-base products and services; up to 35,000 pieces of equipment in facilities; and 30,000 direct suppliers. Business operations are also affected by the Year 2000 readiness of customer and infrastructure suppliers in areas such as utilities, communications, transportation and other services. In this environment, there will likely be instances of failure that could cause disruptions in business processes for GE and GECS businesses, affect their customers' ability to repay amounts owed or result in an increased level of insurance claims activity. The likelihood and effects of failures in the customer base, infrastructure systems and in the supply chain cannot be estimated. However, with respect to operations under its direct control, management does not expect, in

view of its Year 2000 program efforts and the diversity of its businesses, suppliers and customers, that occurrences of Year 2000 failures will have a material adverse effect on the financial position, results of operations or liquidity of GE or GECS.

Including amounts attributable to recent acquisitions, total Year 2000 remediation expenditures are expected to be approximately \$575 million, of which 60% was spent by the end of 1998. Substantially all of the remainder is expected to be spent in 1999. Most of these costs are not likely to be incremental costs, but rather will represent the redeployment of existing resources. The activities involved in the Year 2000 effort necessarily involve estimates and projections of activities and resources that will be required in the future. These estimates and projections could change as work progresses.

Statement of Cash Flows

Because cash management activities of GE and GECS are separate and distinct, it is more useful to review their cash flows separately.

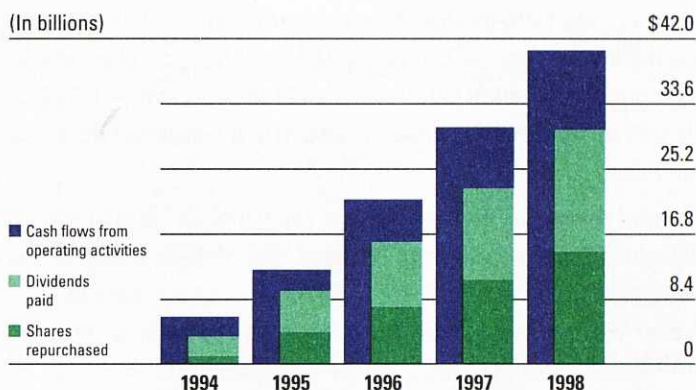
GE cash and equivalents aggregated \$1.2 billion at the end of 1998, about the same as at year-end 1997. During 1998, GE generated a record \$10.0 billion in cash from operating activities, an increase of \$0.7 billion over 1997. The increase reflected improvements in earnings and working capital, including cash from monetization of receivables. The 1998 cash generation provided most of the resources needed to repurchase \$3.6 billion of GE common stock under the share repurchase program, to pay \$3.9 billion in dividends to share owners, to invest \$2.0 billion in new plant and equipment and to make \$1.5 billion in acquisitions.

Operating activities are the principal source of GE's cash flows. Over the past three years, operating activities have provided more than \$28 billion of cash. The principal application of this cash was distributions of approximately \$21 billion to share owners, both through payment of dividends (\$10.4 billion) and through the share repurchase program (\$10.4 billion) described below. Other applications included investment in new plant and equipment (\$6.6 billion) and acquisitions (\$4.0 billion).

The GE Board of Directors has authorized repurchase of \$17 billion of common stock under the share repurchase program. This buyback will continue through the year 2000 at an annual rate of about \$2 billion. Funds used for the share repurchase are expected to be generated largely from operating cash flow.

Based on past performance and current expectations, in combination with the financial flexibility that comes with a strong balance sheet and the highest credit ratings, management believes

GE cumulative cash flows since 1993



that GE is in a sound position to complete the share repurchase program, to grow dividends in line with earnings, and to continue making selective investments for long-term growth. Expenditures for new plant and equipment are expected to be about \$2.0 billion in 1999, principally for productivity and growth. The expected level of expenditures was moderated by the Six Sigma quality program's success in freeing capacity.

GECS cash and equivalents aggregated \$3.3 billion at the end of 1998, down from \$4.9 billion at year-end 1997. One of the primary sources of cash for GECS is financing activities involving the continued rollover of short-term borrowings and appropriate addition of borrowings with a reasonable balance of maturities. Over the past three years, GECS borrowings with maturities of 90 days or less have increased by \$40.9 billion. New borrowings of \$85.2 billion having maturities longer than 90 days were added during those years, while \$78.4 billion of such longer-term borrowings were retired. GECS also generated \$26.9 billion from continuing operating activities.

The principal use of cash by GECS has been investing in assets to grow its businesses. Of the \$69.6 billion that GECS invested over the past three years, \$10.5 billion was used for additions to financing receivables; \$18.5 billion was used to invest in new equipment, principally for lease to others; and \$25.4 billion was used for acquisitions of new businesses, the largest of which were Metlife Capital and Lake in 1998.

With the financial flexibility that comes with excellent credit ratings, management believes that GECS should be well positioned to meet the global needs of its customers for capital and to continue providing GE share owners with good returns.

Management's Discussion of Selected Financial Data

Selected financial data summarizes on the following page some data frequently requested about General Electric Company. The data are divided into three sections: upper portion — consolidated data; middle portion — GE data that reflect various conventional measurements for such enterprises; and lower portion — GECS data that reflect key information pertinent to financial services businesses.

GE's total research and development expenditures were \$1,930 million in 1998, up slightly from 1997 and 1996. In 1998, expenditures from GE's own funds were \$1,537 million, an increase of 4% over 1997, reflecting continuing research and development work related to new product, service and process technologies. Product technology efforts in 1998 included continuing development work on the next generation of gas turbines, further advances in state-of-the-art diagnostic imaging technologies, and development of more fuel-efficient, cost-effective aircraft engine designs. Services technologies include advances in diagnostic applications, including remote diagnostic capabilities related to repair and maintenance of medical equipment, aircraft engines, power generation equipment and locomotives. Process technologies — vital to Six Sigma quality programs — provided improved product quality and performance and increased capacity for manufacturing engineered materials. Expenditures from funds provided by customers (mainly the U.S. government) were \$393 million in 1998, down \$18 million from 1997.

GE's total backlog of firm unfilled orders at the end of 1998 was \$28.5 billion, compared with \$26.4 billion at the end of 1997. Of the total, \$23.9 billion related to products, about 56% of which was scheduled for delivery in 1999. Services orders are included in this reported backlog for only the succeeding 12 months; such backlog at the end of 1998 was \$4.6 billion. Orders constituting this backlog

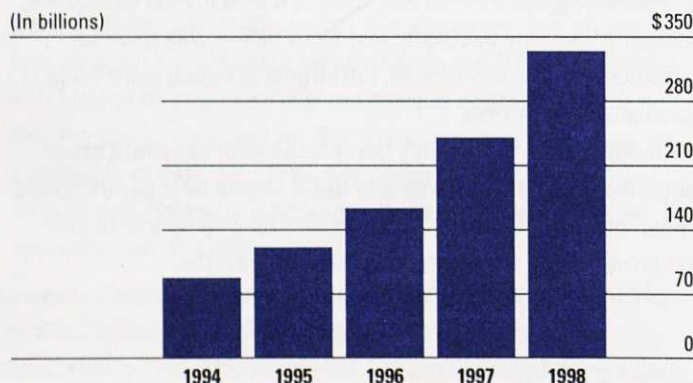
may be canceled or deferred by customers, subject in certain cases to cancellation penalties. See Segment Operations beginning on page 35 for further discussion on unfilled orders of relatively long-cycle manufacturing businesses.

Regarding environmental matters, GE's operations, like operations of other companies engaged in similar businesses, involve the use, disposal and cleanup of substances regulated under environmental protection laws.

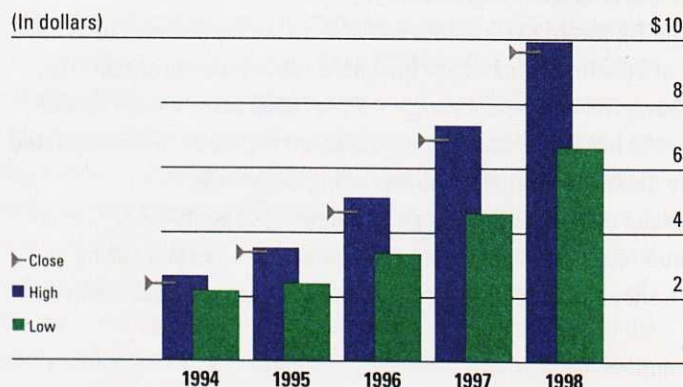
In 1998, GE expended about \$81 million for capital projects related to the environment. The comparable amount in 1997 was \$80 million. These amounts exclude expenditures for remediation actions, which are principally expensed and are discussed below. Capital expenditures for environmental purposes have included pollution control devices — such as wastewater treatment plants, groundwater monitoring devices, air strippers or separators, and incinerators — at new and existing facilities constructed or upgraded in the normal course of business. Consistent with policies stressing environmental responsibility, average annual capital expenditures other than for remediation projects are presently expected to be about \$85 million over the next two years. This level is in line with existing levels for new or expanded programs to build facilities or modify manufacturing processes to minimize waste and reduce emissions.

GE also is involved in a sizable number of remediation actions to clean up hazardous wastes as required by federal and state laws. Such statutes require that responsible parties fund remediation actions regardless of fault, legality of original disposal or ownership of a disposal site. Expenditures for site remediation actions amounted to approximately \$127 million in 1998, compared with \$84 million in 1997. It is presently expected that such remediation actions will require average annual expenditures in the range of \$90 million to \$170 million over the next two years.

Year-end market capitalization



GE share price activity



Selected Financial Data

(Dollar amounts in millions; per-share amounts in dollars)

	1998	1997	1996	1995	1994
General Electric Company and consolidated affiliates					
Revenues	\$ 100,469	\$ 90,840	\$ 79,179	\$ 70,028	\$ 60,109
Earnings from continuing operations	9,296	8,203	7,280	6,573	5,915
Loss from discontinued operations	—	—	—	—	(1,189)
Net earnings	9,296	8,203	7,280	6,573	4,726
Dividends declared	4,081	3,535	3,138	2,838	2,546
Earned on average share owners' equity	25.7%	25.0%	24.0%	23.5%	18.1%
Per share					
Earnings from continuing operations — basic	\$ 2.84	\$ 2.50	\$ 2.20	\$ 1.95	\$ 1.73
Loss from discontinued operations	—	—	—	—	(0.35)
Net earnings — basic	2.84	2.50	2.20	1.95	1.38
Net earnings — diluted	2.80	2.46	2.16	1.93	1.37
Dividends declared	1.25	1.08	0.95	0.845	0.745
Stock price range	103 ¹⁵ / ₁₆ –69	76 ⁹ / ₁₆ –47 ¹⁵ / ₁₆	53 ¹ / ₁₆ –34 ³ / ₄	36 ⁹ / ₁₆ –24 ¹⁵ / ₁₆	27 ⁷ / ₁₆ –22 ¹ / ₂
Year-end closing stock price	102	73 ³ / ₈	49 ⁷ / ₁₆	36	25 ¹ / ₂
Total assets of continuing operations	355,935	304,012	272,402	228,035	185,871
Long-term borrowings	59,663	46,603	49,246	51,027	36,979
Shares outstanding — average (in thousands)	3,268,998	3,274,692	3,307,394	3,367,624	3,417,476
Share owner accounts — average	534,000	509,000	486,000	460,000	458,000
Employees at year end					
United States	163,000	165,000	155,000	150,000	156,000
Other countries	130,000	111,000	84,000	72,000	60,000
Discontinued operations (primarily U.S.)	—	—	—	—	5,000
Total employees	293,000	276,000	239,000	222,000	221,000
GE data					
Short-term borrowings	\$ 3,466	\$ 3,629	\$ 2,339	\$ 1,666	\$ 906
Long-term borrowings	681	729	1,710	2,277	2,699
Minority interest	816	569	477	434	382
Share owners' equity	38,880	34,438	31,125	29,609	26,387
Total capital invested	\$ 43,843	\$ 39,365	\$ 35,651	\$ 33,986	\$ 30,374
Return on average total capital invested	23.9%	23.6%	22.2%	21.3%	15.9%
Borrowings as a percentage of total capital invested	9.5%	11.1%	11.4%	11.6%	11.9%
Working capital (a)	\$ 5,038	\$ 5,990	\$ 6,598	\$ 7,405	\$ 6,552
Additions to property, plant and equipment	2,047	2,191	2,389	1,831	1,743
GECS data					
Revenues	\$ 48,694	\$ 39,931	\$ 32,713	\$ 26,492	\$ 19,875
Earnings from continuing operations	3,796	3,256	2,817	2,415	2,085
Loss from discontinued operations	—	—	—	—	(1,189)
Net earnings	3,796	3,256	2,817	2,415	896
Share owner's equity	19,727	17,239	14,276	12,774	9,380
Minority interest	3,459	3,113	2,530	2,522	1,465
Borrowings from others	172,200	141,263	125,621	111,598	91,399
Ratio of debt to equity at GE Capital	7.86:1	7.45:1	7.84:1	7.59:1	8.43:1
Total assets of continuing operations	\$ 303,297	\$ 255,408	\$ 227,419	\$ 185,729	\$ 144,967
Insurance premiums written	11,865	9,396	8,185	6,158	3,962

Discontinued operations reflect the results of Kidder, Peabody, the discontinued GECS securities broker-dealer, in 1994. Transactions between GE and GECS have been eliminated from the consolidated information.

(a) Working capital is defined as the sum of receivables from the sales of goods and services plus inventories less trade accounts payable and progress collections.

Notes to Consolidated Financial Statements

1 Summary of Significant Accounting Policies

Consolidation. The consolidated financial statements represent the adding together of all affiliates — companies that General Electric directly or indirectly controls. Results of associated companies — generally companies that are 20% to 50% owned and over which GE, directly or indirectly, has significant influence — are included in the financial statements on a “one-line” basis.

Financial statement presentation. Financial data and related measurements are presented in the following categories.

- **GE.** This represents the adding together of all affiliates other than General Electric Capital Services, Inc. (GECS), whose operations are presented on a one-line basis.
- **GECS.** This affiliate owns all of the common stock of General Electric Capital Corporation (GE Capital) and GE Global Insurance Holding Corporation (GE Global Insurance). GE Capital, GE Global Insurance and their respective affiliates are consolidated in the GECS columns and constitute its business.
- **Consolidated.** This represents the adding together of GE and GECS.

The effects of transactions among related companies within and between each of the above-mentioned groups are eliminated. Transactions between GE and GECS are not material.

Certain prior-year amounts have been reclassified to conform to the 1998 presentation.

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect reported amounts and related disclosures. Actual results could differ from those estimates.

Sales of goods and services. A sale is recorded when title passes to the customer or when services are performed in accordance with contracts.

GECS revenues from services (earned income). Income on all loans is recognized on the interest method. Accrual of interest income is suspended at the earlier of the time at which collection of an account becomes doubtful or the account becomes 90 days delinquent. Interest income on impaired loans is recognized either as cash is collected or on a cost-recovery basis as conditions warrant.

Financing lease income is recorded on the interest method so as to produce a level yield on funds not yet recovered. Estimated unguaranteed residual values of leased assets are based primarily on periodic independent appraisals of the values of leased assets remaining at expiration of the lease terms.

Operating lease income is recognized on a straight-line basis over the terms of underlying leases.

Origination, commitment and other nonrefundable fees related to fundings are deferred and recorded in earned income on the interest method. Commitment fees related to loans not expected to be funded and line-of-credit fees are deferred and recorded in earned income on a straight-line basis over the period to which the fees relate. Syndication fees are recorded in earned income over the time related services are performed unless significant contingencies exist.

Premium income from insurance activities is discussed under GECS insurance accounting policies on page 49.

Depreciation and amortization. The cost of most of GE's manufacturing plant and equipment is depreciated using an accelerated method based primarily on a sum-of-the-years digits formula.

The cost of GECS equipment leased to others on operating leases is amortized, principally on a straight-line basis, to estimated residual value over the lease term or over the estimated economic life of the equipment. Depreciation of property and equipment used by GECS is recorded on either a sum-of-the-years digits formula or a straight-line basis over the lives of the assets.

Recognition of losses on financing receivables and investments

The allowance for losses on small-balance receivables is determined principally on the basis of actual experience during the preceding three years. Further allowances are provided to reflect management's judgment of additional probable losses. For other receivables, principally the larger loans and leases, the allowance for losses is determined primarily on the basis of management's judgment of net probable losses, including specific allowances for known troubled accounts.

All accounts or portions thereof deemed to be uncollectible or to require an excessive collection cost are written off to the allowance for losses. Small-balance accounts generally are written off when 6 to 12 months delinquent, although any such balance judged to be uncollectible, such as an account in bankruptcy, is written down immediately to estimated realizable value. Large-balance accounts are reviewed at least quarterly, and those accounts with amounts that are judged to be uncollectible are written down to estimated realizable value.

When collateral is repossessed in satisfaction of a loan, the receivable is written down against the allowance for losses to the estimated fair value of the asset less costs to sell, transferred to other assets and subsequently carried at the lower of cost or estimated fair value less costs to sell. This accounting method has been employed principally for specialized financing transactions.

Cash and equivalents. Debt securities with original maturities of three months or less are included in cash equivalents unless designated as available for sale and classified as investment securities.

Investment securities. Investments in debt and marketable equity securities are reported at fair value. Substantially all investment securities are designated as available for sale, with unrealized gains and losses included in share owners' equity, net of applicable taxes and other adjustments. Unrealized losses that are other than temporary are recognized in earnings. Realized gains and losses are accounted for on the specific identification method.

Inventories. All inventories are stated at the lower of cost or realizable values. Cost for virtually all of GE's U.S. inventories is determined on a last-in, first-out (LIFO) basis. Cost of other GE inventories is primarily determined on a first-in, first-out (FIFO) basis.

GECS inventories consist primarily of finished products held for sale. Cost is primarily determined on a FIFO basis.

Intangible assets. Goodwill is amortized over its estimated period of benefit on a straight-line basis; other intangible assets, including internal-use software, are amortized on appropriate bases over their estimated lives. No amortization period exceeds 40 years. Goodwill in excess of associated expected operating cash flows is considered to be impaired and is written down to fair value, which is determined based on either discounted future cash flows or appraised values, depending on the nature of the asset.

Interest rate and currency risk management. As a matter of policy, neither GE nor GECS engages in derivatives trading, derivatives market-making or other speculative activities.

GE and GECS use swaps primarily to optimize funding costs. To a lesser degree, and in combination with options and limit contracts, GECS uses swaps to stabilize cash flows from mortgage-related assets.

Interest rate and currency swaps that modify borrowings or designated assets, including swaps associated with forecasted commercial paper renewals, are accounted for on an accrual basis. Both GE and GECS require all other swaps, as well as futures, options and currency forwards, to be designated and accounted for as hedges of specific assets, liabilities or committed transactions; resulting payments and receipts are recognized contemporaneously with effects of hedged transactions. A payment or receipt arising from early termination of an effective hedge is accounted for as an adjustment to the basis of the hedged transaction.

Instruments used as hedges must be effective at reducing the risk associated with the exposure being hedged and must be designated as a hedge at the inception of the contract. Accordingly, changes in market values of hedge instruments must be highly correlated with changes in market values of underlying hedged items, both at inception of the hedge and over the life of the hedge contract.

As a matter of policy, any derivative that is either not designated as a hedge, or is so designated but is ineffective, is marked to market and recognized in operations immediately.

GECS insurance accounting policies. Accounting policies for GECS insurance businesses follow.

Premium income. Insurance premiums are reported as earned income as follows:

- For short-duration insurance contracts (including property and casualty, accident and health, and financial guaranty insurance), premiums are reported as earned income, generally on a pro rata basis, over the terms of the related agreements. For retrospectively rated reinsurance contracts, premium adjustments are recorded based on estimated losses and loss expenses, taking into consideration both case and incurred-but-not-reported reserves.
- For traditional long-duration insurance contracts (including term and whole life contracts and annuities payable for the life of the annuitant), premiums are reported as earned income when due.
- For investment contracts and universal life contracts, premiums received are reported as liabilities, not as revenues. Universal life contracts are long-duration insurance contracts with terms that are not fixed and guaranteed; for these contracts, revenues are recognized for assessments against the policyholder's account, mostly for mortality, contract initiation, administration and surrender. Investment contracts are contracts that have neither significant mortality nor significant morbidity risk, including annuities payable for a determined period; for these contracts, revenues are recognized on the associated investments and amounts credited to policyholder accounts are charged to expense.

Deferred policy acquisition costs. Costs that vary with and are primarily related to the acquisition of new and renewal insurance and investment contracts are deferred and amortized over the respective policy terms. For short-duration insurance contracts, acquisition costs consist primarily of commissions, brokerage

expenses and premium taxes. For long-duration insurance contracts, these costs consist primarily of first-year commissions in excess of recurring renewal commissions, certain variable sales expenses and certain support costs such as underwriting and policy issue expenses.

- For short-duration insurance contracts, these costs are amortized pro rata over the contract periods in which the related premiums are earned.
- For traditional long-duration insurance contracts, these costs are amortized over the respective contract periods in proportion to either anticipated premium income or, in the case of limited-payment contracts, estimated benefit payments.
- For investment contracts and universal life contracts, these costs are amortized on the basis of anticipated gross profits.

Periodically, deferred policy acquisition costs are reviewed for recoverability; anticipated investment income is considered in recoverability evaluations.

Present value of future profits. The actuarially determined present value of anticipated net cash flows to be realized from insurance, annuity and investment contracts in force at the date of acquisition of life insurance enterprises is recorded as the present value of future profits and is amortized over the respective policy terms in a manner similar to deferred policy acquisition costs. Unamortized balances are adjusted to reflect experience and impairment, if any.

2 GE Other Income

(In millions)	1998	1997	1996
Residual licensing and royalty income			
RCA Licensing	\$ 250	\$ 287	\$ 265
Other	51	54	60
Associated companies	(9)	50	50
Marketable securities and bank deposits	114	78	72
Customer financing	19	26	29
Other investments			
Dividends	8	62	79
Interest	8	1	18
Other items	243	1,749	56
	\$ 684	\$ 2,307	\$ 629

Effective January 1, 1999, GE transferred certain licenses and intellectual property pursuant to an agreement to sell the former RCA Consumer Electronics business. Licensing income from these assets is shown under the caption "RCA Licensing" in the table above.

Included in the "Other items" caption for 1997 is a gain of \$1,500 million related to a tax-free exchange between GE and Lockheed Martin Corporation (Lockheed Martin). In exchange for its investment in Lockheed Martin Series A preferred stock, GE acquired Lockheed Martin subsidiary containing two businesses, an equity interest and cash to the extent necessary to equalize the value of the exchange, a portion of which was subsequently loaned to Lockheed Martin.

3 GECS Revenues from Services

(In millions)	1998	1997	1996
Time sales, loan and other income	\$ 14,682	\$ 12,211	\$ 11,311
Operating lease rentals	5,402	4,819	4,341
Financing leases	4,267	3,499	3,481
Investment income	5,617	5,512	3,501
Premium and commission income of insurance businesses	11,352	9,268	8,141
	\$ 41,320	\$ 35,309	\$ 30,775

For insurance businesses, the effects of reinsurance on premiums written and premium and commission income were as follows:

(In millions)	1998	1997	1996
Premiums written			
Direct	\$ 6,237	\$ 5,206	\$ 3,921
Assumed	7,470	5,501	5,451
Ceded	(1,842)	(1,311)	(1,191)
	\$ 11,865	\$ 9,396	\$ 8,181
Premium and commission income			
Direct	\$ 6,063	\$ 5,138	\$ 3,881
Assumed	7,151	5,386	5,351
Ceded	(1,862)	(1,256)	(1,051)
	\$ 11,352	\$ 9,268	\$ 8,181

Reinsurance recoveries recognized as a reduction of insurance losses and policyholder and annuity benefits amounted to \$1,594 million, \$903 million and \$937 million for the years ended December 31, 1998, 1997 and 1996, respectively.

4 Supplemental Cost Details

Total expenditures for research and development were \$1,930 million, \$1,891 million and \$1,886 million in 1998, 1997 and 1996, respectively. The Company-funded portion aggregated \$1,537 million in 1998, \$1,480 million in 1997 and \$1,421 million in 1996.

Rental expense under operating leases is shown below.

(In millions)	1998	1997	1996
GE	\$ 568	\$ 536	\$ 512
GECS	889	734	547

At December 31, 1998, minimum rental commitments under noncancelable operating leases aggregated \$2,479 million and \$5,168 million for GE and GECS, respectively. Amounts payable over the next five years follow.

(In millions)	1999	2000	2001	2002	2003
GE	\$ 453	\$ 375	\$ 296	\$ 223	\$ 187
GECS	720	636	582	519	468

GE's selling, general and administrative expense totaled \$7,177 million in 1998, \$7,476 million in 1997 and \$6,274 million in 1996. Insignificant amounts of interest were capitalized by GE and GECS in 1998, 1997 and 1996.

5 Pension Benefits

GE and its affiliates sponsor a number of pension plans. Principal pension plans are discussed below; other pension plans are not significant individually or in the aggregate.

Principal pension plans are the GE Pension Plan and the GE Supplementary Pension Plan.

The GE Pension Plan covers substantially all GE employees in the United States as well as approximately two-thirds of GECS employees in the United States. Generally, benefits are based on the greater of a formula recognizing career earnings or a formula recognizing length of service and final average earnings. Benefit provisions are subject to collective bargaining. At the end of 1998, the GE Pension Plan covered approximately 466,000 participants, including 127,000 employees, 149,000 former employees with vested rights to future benefits, and 190,000 retirees and beneficiaries receiving benefits.

The GE Supplementary Pension Plan is a pay-as-you-go plan providing supplementary retirement benefits primarily to higher-level, longer-service U.S. employees.

The effect on operations of principal pension plans is as follows:

Effect on operations

(In millions)	1998	1997	1996
Expected return on plan assets	\$ 3,024	\$ 2,721	\$ 2,587
Service cost for benefits earned (a)	(625)	(596)	(550)
Interest cost on benefit obligation	(1,749)	(1,686)	(1,593)
Prior service cost	(153)	(145)	(99)
SFAS No. 87 transition gain	154	154	154
Net actuarial gain recognized	365	295	210
Special early retirement cost	—	(412)	—
Total pension plan income	\$ 1,016	\$ 331	\$ 709

(a) Net of participant contributions.

Funding policy for the GE Pension Plan is to contribute amounts sufficient to meet minimum funding requirements as set forth in employee benefit and tax laws plus such additional amounts as GE may determine to be appropriate. GE has not made contributions since 1987 because the fully funded status of the GE Pension Plan precludes current tax deduction and because any GE contribution would require payment of annual excise taxes.

Changes in the projected benefit obligation for principal pension plans follow.

Projected benefit obligation

December 31 (In millions)	1998	1997
Balance at January 1	\$ 25,874	\$ 23,251
Service cost for benefits earned (a)	625	596
Interest cost on benefit obligation	1,749	1,686
Participant contributions	112	120
Plan amendments	—	136
Actuarial loss	1,050	1,388
Benefits paid	(1,838)	(1,715)
Special early retirement cost	—	412
Balance at December 31	\$ 27,572	\$ 25,874

(a) Net of participant contributions.

Changes in the fair value of assets for principal pension plans follow.

Fair value of assets

December 31 (In millions)	1998	1997
Balance at January 1	\$ 38,742	\$ 33,686
Actual return on plan assets	6,363	6,587
Employer contributions	68	64
Participant contributions	112	120
Benefits paid	(1,838)	(1,715)
Balance at December 31	\$ 43,447	\$ 38,742

Plan assets are held in trust and consist mainly of common stock and fixed-income investments. GE common stock represented about 7% and 6% of trust assets at year-end 1998 and 1997, respectively.

GE recorded assets and liabilities for principal pension plans as follows:

Prepaid pension asset

December 31 (In millions)	1998	1997
Fair value of plan assets	\$ 43,447	\$ 38,742
Add (deduct) unrecognized balances		
SFAS No. 87 transition gain	(308)	(462)
Net actuarial gain	(9,462)	(7,538)
Prior service cost	850	1,003
Projected benefit obligation	(27,572)	(25,874)
Pension liability	797	703
Prepaid pension asset	\$ 7,752	\$ 6,574

Actuarial assumptions used to determine costs and benefit obligations for principal pension plans follow.

Actuarial assumptions

December 31	1998	1997	1996
Discount rate	6.75%	7.0%	7.5%
Compensation increases	5.0	4.5	4.5
Return on assets for the year	9.5	9.5	9.5

Experience gains and losses, as well as the effects of changes in actuarial assumptions and plan provisions, are amortized over the average future service period of employees.

6 Retiree Health and Life Benefits

GE and its affiliates sponsor a number of retiree health and life insurance benefit plans. Principal retiree benefit plans are discussed below; other such plans are not significant individually or in the aggregate.

Principal retiree benefit plans generally provide health and life insurance benefits to employees who retire under the GE Pension Plan (see note 5) with 10 or more years of service. Retirees share in the cost of health care benefits. Benefit provisions are subject to collective bargaining. At the end of 1998, these plans covered approximately 250,000 retirees and dependents.

The effect on operations of principal retiree benefit plans is shown in the following table.

Effect on operations

(In millions)	1998	1997	1996
Retiree health plans			
Service cost for benefits earned	\$ 79	\$ 90	\$ 77
Interest cost on benefit obligation	205	183	166
Prior service cost	14	(3)	(20)
Net actuarial loss recognized	28	16	20
Special early retirement cost	—	152	—
Retiree health plan cost	326	438	243
Retiree life plans			
Expected return on plan assets	(149)	(137)	(132)
Service cost for benefits earned	17	17	16
Interest cost on benefit obligation	114	116	106
Prior service cost	(6)	(8)	(11)
Net actuarial loss recognized	11	16	23
Special early retirement cost	—	13	—
Retiree life plan cost (income)	(13)	17	2
Total cost	\$ 313	\$ 455	\$ 245

Funding policy for retiree health benefits is generally to pay covered expenses as they are incurred. GE funds retiree life insurance benefits at its discretion.

Changes in the accumulated postretirement benefit obligation for retiree benefit plans follow.

Accumulated postretirement benefit obligation

December 31 (In millions)	Health plans		Life plans	
	1998	1997	1998	1997
Balance at January 1	\$ 3,098	\$ 2,415	\$ 1,677	\$ 1,539
Service cost for				
benefits earned	79	90	17	17
Interest cost on				
benefit obligation	205	183	114	116
Participant				
contributions	24	21	—	—
Plan amendments	—	325	—	44
Actuarial loss	177	245	91	56
Benefits paid	(363)	(333)	(112)	(108)
Special early				
retirement cost	—	152	—	13
Balance at				
December 31	\$ 3,220	\$ 3,098	\$ 1,787	\$ 1,677

Changes in the fair value of assets for retiree benefit plans follow.

Fair value of assets

December 31 (In millions)	Health plans		Life plans	
	1998	1997	1998	1997
Balance at January 1	\$ —	\$ —	\$ 1,917	\$ 1,682
Actual return on plan				
assets	—	—	316	343
Employer				
contributions	339	312	—	—
Participant				
contributions	24	21	—	—
Benefits paid	(363)	(333)	(112)	(108)
Balance at				
December 31	\$ —	\$ —	\$ 2,121	\$ 1,917

Plan assets are held in trust and consist mainly of common stock and fixed-income investments. GE common stock represented about 5% and 4% of trust assets at year-end 1998 and 1997, respectively.

GE recorded assets and liabilities for retiree benefit plans as follows:

Retiree benefit liability/asset				
	Health plans		Life plans	
December 31 (In millions)	1998	1997	1998	1997
Accumulated postretirement benefit obligation	\$ 3,220	\$ 3,098	\$ 1,787	\$ 1,677
Add (deduct) unrecognized balances				
Net actuarial gain/(loss)	(572)	(423)	214	127
Prior service cost	(157)	(171)	49	55
Fair value of plan assets	—	—	(2,121)	(1,917)
Retiree benefit liability/ (asset)	\$ 2,491	\$ 2,504	\$ (71)	\$ (58)

Actuarial assumptions used to determine costs and benefit obligations for principal retiree benefit plans are shown below.

Actuarial assumptions

December 31	1998	1997	1996
Discount rate	6.75%	7.0%	7.5%
Compensation increases	5.0	4.5	4.5
Health care cost trend (a)	7.8	7.8	8.0
Return on assets for the year	9.5	9.5	9.5

(a) For 1998, gradually declining to 5.0% after 2003.

Increasing or decreasing the health care cost trend rates by one percentage point would not have had a material effect on the December 31, 1998, accumulated postretirement benefit obligation or the annual cost of retiree health plans.

Experience gains and losses, as well as the effects of changes in actuarial assumptions and plan provisions, are amortized over the average future service period of employees.

8 Provision for Income Taxes

(In millions)	1998	1997	1996
GE			
Estimated amounts payable	\$ 2,227	\$ 2,332	\$ 2,235
Deferred tax expense (benefit) from temporary differences	590	(522)	60
	2,817	1,810	2,295
GECS			
Estimated amounts payable	815	368	164
Deferred tax expense from temporary differences	549	798	1,067
	1,364	1,166	1,231
Consolidated			
Estimated amounts payable	3,042	2,700	2,399
Deferred tax expense from temporary differences	1,139	276	1,127
	\$ 4,181	\$ 2,976	\$ 3,526

GE includes GECS in filing a consolidated U.S. federal income tax return. The GECS provision for estimated taxes payable includes its effect on the consolidated return.

Estimated consolidated amounts payable includes amounts applicable to U.S. federal income taxes of \$1,459 million, \$1,176 million and \$971 million in 1998, 1997 and 1996, respectively, and amounts applicable to non-U.S. jurisdictions of \$1,335 million, \$1,298 million and \$1,204 million in 1998, 1997 and 1996, respectively. Deferred tax expense related to U.S. federal income taxes was \$971 million, \$354 million and \$1,081 million in 1998, 1997 and 1996, respectively.

Deferred income tax balances reflect the impact of temporary differences between the carrying amounts of assets and liabilities and their tax bases and are stated at enacted tax rates expected to be in effect when taxes are actually paid or recovered. See note 22 for details.

Except for certain earnings that GE intends to reinvest indefinitely, provision has been made for the estimated U.S. federal income tax liabilities applicable to undistributed earnings of affiliates and associated companies. It is not practicable to determine the U.S. federal income tax liability, if any, that would be payable if such earnings were not reinvested indefinitely.

Consolidated U.S. income before taxes was \$9.7 billion in 1998, \$8.2 billion in 1997 and \$8.0 billion in 1996. The corresponding amounts for non-U.S.-based operations were \$3.8 billion in 1998, \$3.0 billion in 1997 and \$2.8 billion in 1996.

A reconciliation of the U.S. federal statutory tax rate to the actual tax rate is provided on the following page.

7 GECS Allowance for Losses on Financing Receivables

(In millions)	1998	1997	1996
Balance at January 1	\$ 2,802	\$ 2,693	\$ 2,519
Provisions charged to operations	1,609	1,421	1,033
Net transfers primarily related to companies acquired or sold	388	127	139
Amounts written off — net	(1,511)	(1,439)	(998)
Balance at December 31	\$ 3,288	\$ 2,802	\$ 2,693

**Reconciliation of U.S. federal
statutory tax rate to actual rate**

	Consolidated			GE			GECS		
	1998	1997	1996	1998	1997	1996	1998	1997	1996
Statutory U.S. federal income tax rate	35.0%	35.0%	35.0%	35.0%	35.0%	35.0%	35.0%	35.0%	35.0%
Increase (reduction) in rate resulting from:									
Inclusion of after-tax earnings of GECS in before-tax earnings of GE	—	—	—	(11.0)	(11.4)	(10.3)	—	—	—
Lockheed Martin exchange (note 2)	—	(4.8)	—	—	(5.4)	—	—	—	—
Amortization of goodwill	1.1	1.1	1.1	0.7	0.8	0.8	1.0	1.1	1.2
Tax-exempt income	(1.8)	(1.9)	(2.0)	—	—	—	(4.7)	(4.9)	(5.4)
Foreign Sales Corporation tax benefits	(1.2)	(1.0)	(0.7)	(1.0)	(0.9)	(0.6)	(0.6)	(0.5)	(0.3)
Dividends received, not fully taxable	(0.4)	(0.5)	(0.6)	—	(0.2)	(0.2)	(1.0)	(0.9)	(1.1)
All other — net	(1.7)	(1.3)	(0.2)	(0.4)	0.2	(0.7)	(3.3)	(3.4)	1.0
	(4.0)	(8.4)	(2.4)	(11.7)	(16.9)	(11.0)	(8.6)	(8.6)	(4.6)
Actual income tax rate	31.0%	26.6%	32.6%	23.3%	18.1%	24.0%	26.4%	26.4%	30.4%

9 Earnings Per Share Information

(In millions; per-share amounts in dollars)

Consolidated operations

Net earnings available to common share owners

Dividend equivalents — net of tax

Net earnings available for per-share calculation

Average equivalent shares

Shares of GE common stock outstanding

Employee compensation-related shares,
including stock options

Total average equivalent shares

Net earnings per share

	1998		1997		1996	
	Diluted	Basic	Diluted	Basic	Diluted	Basic
Net earnings available to common share owners	\$ 9,296	\$ 9,296	\$ 8,203	\$ 8,203	\$ 7,280	\$ 7,280
Dividend equivalents — net of tax	13	—	10	—	9	—
Net earnings available for per-share calculation	\$ 9,309	\$ 9,296	\$ 8,213	\$ 8,203	\$ 7,289	\$ 7,280
Shares of GE common stock outstanding	3,269	3,269	3,275	3,275	3,307	3,307
Employee compensation-related shares, including stock options	61	—	70	—	64	—
Total average equivalent shares	3,330	3,269	3,345	3,275	3,371	3,307
Net earnings per share	\$ 2.80	\$ 2.84	\$ 2.46	\$ 2.50	\$ 2.16	\$ 2.20

10 Investment Securities

(In millions)	Amortized cost	Gross unrealized gains	Gross unrealized losses	Estimated fair value
December 31, 1998				
GE				
Equity securities	\$ 233	\$ 26	\$ —	\$ 259
GECS				
Debt securities				
U.S. corporate	27,888	1,293	(325)	28,856
State and municipal	12,483	727	(8)	13,202
Mortgage-backed	11,641	413	(109)	11,945
Corporate — non-U.S.	8,692	409	(90)	9,011
Government				
— non-U.S.	5,415	258	(9)	5,664
U.S. government and federal agency	2,706	207	(7)	2,906
Equity securities	5,651	1,415	(192)	6,874
	74,476	4,722	(740)	78,458
Consolidated totals	\$ 74,709	\$ 4,748	\$ (740)	\$ 78,717
December 31, 1997				
GE				
Equity securities	\$ 257	\$ 13	\$ (5)	\$ 265
GECS				
Debt securities				
U.S. corporate	24,580	1,028	(53)	25,555
State and municipal	10,780	636	(2)	11,414
Mortgage-backed	12,074	341	(30)	12,385
Corporate — non-U.S.	7,683	310	(12)	7,981
Government				
— non-U.S.	3,714	150	(3)	3,861
U.S. government and federal agency	2,413	103	(4)	2,512
Equity securities	5,414	1,336	(102)	6,648
	66,658	3,904	(206)	70,356
Consolidated totals	\$ 66,915	\$ 3,917	\$ (211)	\$ 70,621

The majority of mortgage-backed securities shown in the table above are collateralized by U.S. residential mortgages.

At December 31, 1998, contractual maturities of debt securities, other than mortgage-backed securities, were as follows:

Contractual maturities of debt securities (excluding mortgage-backed securities)

(In millions)	Amortized cost	Estimated fair value
Due in		
1999	\$ 5,370	\$ 5,574
2000–2003	14,145	14,497
2004–2008	13,068	13,538
2009 and later	24,601	26,030

It is expected that actual maturities will differ from contractual maturities because borrowers have the right to call or prepay certain obligations. Proceeds from sales of investment securities by GE and GECS in 1998 were \$16,707 million (\$14,728 million in 1997 and \$11,868 million in 1996). Gross realized gains were \$1,126 million in 1998 (\$1,018 million in 1997 and \$638 million in 1996). Gross realized losses were \$308 million in 1998 (\$173 million in 1997 and \$190 million in 1996).

11 GE Current Receivables

December 31 (In millions)	1998	1997
Aircraft Engines	\$ 1,722	\$ 2,118
Appliances	299	300
Industrial Products and Systems	1,274	1,645
NBC	261	362
Plastics	1,070	1,037
Power Systems	2,620	2,376
Technical Products and Services	904	786
All Other	141	130
Corporate	495	538
	8,786	9,292
Less allowance for losses	(303)	(238)
	\$ 8,483	\$ 9,054

Receivables balances at December 31, 1998 and 1997, before allowance for losses, included \$5,447 million and \$6,125 million, respectively, from sales of goods and services to customers, and \$350 million and \$285 million, respectively, from transactions with associated companies.

Current receivables of \$305 million at year-end 1998 and \$303 million at year-end 1997 arose from sales, principally of aircraft engine goods and services, on open account to various agencies of the U.S. government, which is GE's largest single customer. About 4% of GE's sales of goods and services were to the U.S. government in 1998 and 1997, compared with about 5% in 1996.

12 Inventories

December 31 (In millions)	1998	1997
GE		
Raw materials and work in process	\$ 3,154	\$ 3,070
Finished goods	2,967	2,895
Unbilled shipments	195	242
	6,316	6,207
Less revaluation to LIFO	(1,011)	(1,098)
	5,305	5,109
GECS		
Finished goods	744	786
	\$ 6,049	\$ 5,895

LIFO revaluations decreased \$87 million in 1998, compared with decreases of \$119 million in 1997 and \$128 million in 1996. Included in these changes were decreases of \$29 million, \$59 million and \$58 million in 1998, 1997 and 1996, respectively, that resulted from lower LIFO inventory levels. There were net cost decreases in each of the last three years. As of December 31, 1998, GE is obligated to acquire certain raw materials at market prices through the year 2008 under various take-or-pay or similar arrangements. Annual minimum commitments under these arrangements are insignificant.

13 GECS Financing Receivables (investments in time sales, loans and financing leases)

December 31 (In millions)	1998	1997
Time sales and loans		
Consumer services	\$ 44,680	\$ 42,270
Mid-market financing	20,240	11,401
Specialized financing	16,811	13,974
Equipment management	1,066	469
Specialty insurance	103	202
	82,900	68,316
Deferred income	(5,617)	(3,484)
Time sales and loans — net	77,283	64,832
Investment in financing leases		
Direct financing leases	43,730	38,616
Leveraged leases	3,841	3,153
Investment in financing leases	47,571	41,769
	124,854	106,601
Less allowance for losses	(3,288)	(2,802)
	\$ 121,566	\$ 103,799

Time sales and loans represents transactions in a variety of forms, including time sales, revolving charge and credit, mortgages, installment loans, intermediate-term loans and revolving loans secured by business assets. The portfolio includes time sales and loans carried at the principal amount on which finance charges are billed periodically, and time sales and loans carried at gross book value, which includes finance charges. At year-end 1998 and 1997, specialized financing and consumer services loans included \$12,980 million and \$10,503 million, respectively, for commercial real estate loans. Note 17 contains information on airline loans and leases.

At December 31, 1998, contractual maturities for time sales and loans were \$31,014 million in 1999; \$14,865 million in 2000; \$9,448 million in 2001; \$6,675 million in 2002; \$5,465 million in 2003; and \$15,433 million thereafter — aggregating \$82,900 million. Experience has shown that a substantial portion of receivables will be

paid prior to contractual maturity. Accordingly, the maturities of time sales and loans are not to be regarded as forecasts of future cash collections.

Investment in financing leases consists of direct financing and leveraged leases of aircraft, railroad rolling stock, autos, other transportation equipment, data processing equipment and medical equipment, as well as other manufacturing, power generation, commercial real estate, and commercial equipment and facilities.

As the sole owner of assets under direct financing leases and as the equity participant in leveraged leases, GECS is taxed on total lease payments received and is entitled to tax deductions based on the cost of leased assets and tax deductions for interest paid to third-party participants. GECS generally is entitled to any residual value of leased assets.

Investment in direct financing and leveraged leases represents net unpaid rentals and estimated unguaranteed residual values of leased equipment, less related deferred income. GECS has no general obligation for principal and interest on notes and other instruments representing third-party participation related to leveraged leases; such notes and other instruments have not been included in liabilities but have been offset against the related rentals receivable. The GECS share of rentals receivable on leveraged leases is subordinate to the share of other participants who also have security interests in the leased equipment.

At December 31, 1998, contractual maturities for net rentals receivable under financing leases were \$14,093 million in 1999; \$12,087 million in 2000; \$8,947 million in 2001; \$4,362 million in 2002; \$2,759 million in 2003; and \$9,104 million thereafter — aggregating \$51,352 million. As with time sales and loans, experience has shown that a portion of these receivables will be paid prior to contractual maturity, and these amounts should not be regarded as forecasts of future cash flows.

Net investment in financing leases

December 31 (In millions)	Total financing leases		Direct financing leases		Leveraged leases	
	1998	1997	1998	1997	1998	1997
Total minimum lease payments receivable	\$ 66,528	\$ 58,543	\$ 47,451	\$ 42,901	\$ 19,077	\$ 15,642
Less principal and interest on third-party nonrecourse debt	(15,176)	(12,097)	—	—	(15,176)	(12,097)
Net rentals receivable	51,352	46,446	47,451	42,901	3,901	3,545
Estimated unguaranteed residual value of leased assets	6,826	5,591	5,011	4,244	1,815	1,347
Less deferred income	(10,607)	(10,268)	(8,732)	(8,529)	(1,875)	(1,739)
Investment in financing leases (as shown above)	47,571	41,769	43,730	38,616	3,841	3,153
Less amounts to arrive at net investment						
Allowance for losses	(619)	(656)	(519)	(575)	(100)	(81)
Deferred taxes	(8,593)	(7,909)	(5,147)	(4,671)	(3,446)	(3,238)
Net investment in financing leases	\$ 38,359	\$ 33,204	\$ 38,064	\$ 33,370	\$ 295	\$ (166)

GECS has a noncontrolling interest in Montgomery Ward Holding Corp. (MWHC) which, together with certain of its affiliates, filed a bankruptcy petition for reorganization in 1997. Loans to MWHC, which are considered impaired (as defined below), were \$578 million and \$617 million at year-end 1998 and 1997, respectively. These amounts are excluded from the nonearning and reduced-earning receivable and impaired loan discussions below. GECS also provides revolving credit card financing directly to customers of MWHC and affiliates; such receivables totaled \$3.4 billion at December 31, 1998, including \$1.6 billion that had been sold with recourse. The obligations of customers with respect to these receivables are not affected by the bankruptcy filing.

Nonearning consumer receivables were \$1,250 million and \$1,049 million at December 31, 1998 and 1997, respectively, a substantial amount of which were private-label credit card loans subject to various loss-sharing agreements that provide full or partial recourse to the originating retailer. Nonearning and reduced-earning receivables other than consumer receivables were \$354 million and \$353 million at year-end 1998 and 1997, respectively.

"Impaired" loans are defined by generally accepted accounting principles as loans for which it is probable that the lender will be unable to collect all amounts due according to original contractual terms of the loan agreement. That definition excludes, among other things, leases or large groups of smaller-balance homogeneous loans and therefore applies principally to commercial loans held by GECS. An analysis of impaired loans follows.

December 31 (In millions)	1998	1997
Loans requiring allowance for losses	\$ 346	\$ 339
Loans expected to be fully recoverable	158	167
	\$ 504	\$ 506
Allowance for losses	\$ 109	\$ 170
Average investment during year	512	647
Interest income earned while impaired (a)	39	32

(a) Principally on the cash basis.

14 Other GECS Receivables

At year-end 1998 and 1997, this account included reinsurance recoverables of \$6,124 million and \$5,027 million and insurance-related receivables of \$7,109 million and \$4,932 million, respectively. Premium receivables, funds on deposit with reinsurers and policy loans are included in insurance-related receivables. Also in "Other GECS receivables" are trade receivables, accrued investment income, operating lease receivables and a variety of sundry items.

15 Property, Plant and Equipment (including equipment leased to others)

December 31 (In millions)	1998	1997
Original cost		
GE		
Land and improvements	\$ 459	\$ 459
Buildings, structures and related equipment	6,579	6,375
Machinery and equipment	19,491	18,376
Leasehold costs and manufacturing plant under construction	1,757	1,621
Other	24	24
	28,310	26,855
GECS		
Buildings and equipment	4,828	3,987
Equipment leased to others		
Vehicles	9,825	9,144
Aircraft	9,321	7,686
Railroad rolling stock	2,804	2,367
Marine shipping containers	2,565	2,774
Other	3,447	2,844
	32,790	28,802
	\$ 61,100	\$ 55,657
Accumulated depreciation and amortization		
GE	\$ 16,616	\$ 15,737
GECS		
Buildings and equipment	1,733	1,478
Equipment leased to others	7,021	6,126
	\$ 25,370	\$ 23,341

Amortization of GECS equipment leased to others was \$2,185 million, \$2,102 million and \$1,848 million in 1998, 1997 and 1996, respectively. Noncancelable future rentals due from customers for equipment on operating leases at year-end 1998 totaled \$12,808 million and are due as follows: \$3,377 million in 1999; \$2,540 million in 2000; \$1,841 million in 2001; \$1,318 million in 2002; \$897 million in 2003; and \$2,835 million thereafter.

16 Intangible Assets

December 31 (In millions)	1998	1997
GE		
Goodwill	\$ 9,203	\$ 8,046
Other intangibles	793	709
	9,996	8,755
GECS		
Goodwill	11,469	8,090
Present value of future profits (PVFP)	1,618	1,824
Other intangibles	552	452
	13,639	10,366
	\$ 23,635	\$ 19,121

GE intangible assets are shown net of accumulated amortization of \$2,923 million in 1998 and \$2,976 million in 1997. GECS intangible assets are net of accumulated amortization of \$3,396 million in 1998 and \$2,615 million in 1997.

PVFP amortization, which is on an accelerated basis and net of interest, is projected to range from 15% to 8% of the year-end 1998 unamortized balance for each of the next five years.

being financed. Under such airline financing programs, GE had issued loans and guarantees (principally guarantees) amounting to \$1,473 million at year-end 1998 and \$1,590 million at year-end 1997; and it had entered into commitments totaling \$1,519 million and \$1,794 million at year-end 1998 and 1997, respectively, to provide financial assistance on future aircraft engine sales. Estimated fair values of the aircraft securing these receivables and associated guarantees exceeded the related account balances and guaranteed amounts at December 31, 1998. GECS acts as a lender and lessor to the commercial airline industry. At December 31, 1998 and 1997, the balance of such GECS loans, leases and equipment leased to others was \$10,170 million and \$8,980 million, respectively. In addition, at December 31, 1998, GECS had issued financial guarantees and funding commitments of \$74 million (\$123 million at year-end 1997) and had placed multiyear orders for various Boeing and Airbus aircraft with list prices of approximately \$9.4 billion (\$6.2 billion at year-end 1997).

At year-end 1998, the National Broadcasting Company had \$9,376 million of commitments to acquire broadcast material and the rights to broadcast television programs, including U.S. television rights to future Olympic Games, and commitments under long-term television station affiliation agreements that require payments through the year 2009.

In connection with numerous projects, primarily power generation bids and contracts, GE had issued various bid and performance bonds and guarantees totaling \$3,740 million at year-end 1998 and \$2,895 million at year-end 1997.

Separate accounts represent investments controlled by policyholders and are associated with identical amounts reported as insurance liabilities in note 20.

17 All Other Assets

December 31 (In millions)	1998	1997
GE		
Investments		
Associated companies (a)	\$ 2,336	\$ 1,692
Other	474	735
	2,810	2,427
Prepaid pension asset	7,752	6,574
Long-term receivables, including notes	2,379	2,389
Prepaid broadcasting rights	929	595
Other	4,161	2,744
	18,031	14,729
GECS		
Investments		
Assets acquired for resale	6,167	4,403
Associated companies (a)	7,670	4,695
Real estate ventures	3,131	2,326
Other	3,473	2,452
	20,441	13,876
Separate accounts	6,563	4,926
Servicing assets	1,625	1,713
Deferred insurance acquisition costs	3,326	2,521
Other	3,584	2,631
	35,539	25,667
Eliminations	(662)	(576)
	\$ 52,908	\$ 39,820

(a) Includes advances.

In line with industry practice, sales of commercial jet aircraft engines often involve long-term customer financing commitments. In making such commitments, it is GE's general practice to require that it have or be able to establish a secured position in the aircraft

18 GE All Other Current Costs and Expenses Accrued

At year-end 1998 and 1997, this account included taxes accrued of \$3,415 million and \$2,866 million and compensation and benefit accruals of \$1,487 million and \$1,321 million, respectively. Also included are amounts for product warranties, restructuring, estimated costs on shipments billed to customers and a variety of sundry items.

An analysis of changes in the restructuring liability follows.

(In millions)	Termination benefits	Exit costs	Total
1997 provision	\$ 778	\$ 465	\$ 1,243
Charges	(672)	(395)	(1,067)
Reversed to operations	—	(28)	(28)
Balance at December 31, 1998	\$ 106	\$ 42	\$ 148

Substantially all of the 1997 provision is expected to be utilized by year-end 1999.

19 Borrowings

Short-term borrowings

December 31 (In millions)	1998		1997	
	Amount	Average rate (a)	Amount	Average rate (a)
GE				
Commercial paper (U.S.)	\$ 2,339	5.29%	\$ 1,835	5.88%
Payable to banks, principally non-U.S.	465	11.15	348	8.38
Current portion of long-term debt	50	5.08	1,099	5.85
Other	612		347	
	3,466		3,629	
GECS				
Commercial paper U.S.	83,044	5.38	67,355	5.93
Non-U.S.	3,953	4.80	3,879	4.18
Current portion of long-term debt	14,645	5.66	15,101	6.30
Other	11,520		8,939	
	113,162		95,274	
Eliminations	(1,250)		(828)	
	\$ 115,378		\$ 98,075	

Long-term borrowings

December 31 (In millions)	1998		1998	1997
	Average rate (a)	Maturities		
GE				
Industrial development/pollution control bonds	3.78%	2003–2027	\$ 327	\$ 270
Payable to banks, principally non-U.S.	9.56	2000–2006	230	195
Other (b)			124	264
			681	729
GECS				
Senior notes	6.07	2000–2055	58,042	44,993
Subordinated notes (c)	7.88	2006–2035	996	996
			59,038	45,989
Eliminations			(56)	(115)
			\$ 59,663	\$ 46,603

- (a) Based on year-end balances and local currency interest rates, including the effects of interest rate and currency swaps, if any, directly associated with the original debt issuance.
- (b) A variety of obligations having various interest rates and maturities, including certain borrowings by parent operating components and affiliates.
- (c) Guaranteed by GE.

Borrowings of GE and GECS are addressed below from two perspectives — liquidity and interest rate management. Additional information about borrowings and associated swaps can be found in note 30.

Liquidity requirements of GE and GECS are principally met through the credit markets. Maturities of long-term borrowings during the next five years follow.

(In millions)	1999	2000	2001	2002	2003
GE	\$ 50	\$ 137	\$ 132	\$ 33	\$ 48
GECS	14,645	13,889	10,925	7,059	4,794

Confirmed credit lines of \$4.0 billion had been extended to GE by 23 banks at year-end 1998. Substantially all of GE's credit lines are available to GECS and its affiliates in addition to their own credit lines.

At year-end 1998, GECS and its affiliates held committed lines of credit aggregating \$26.7 billion, including \$11.8 billion of revolving credit agreements pursuant to which it has the right to borrow funds for periods exceeding one year. Amounts drawn by GECS under these lines at December 31, 1998, were not significant. A total of \$1.5 billion of GE Capital credit lines is available for use by GE. Both GE and GECS compensate certain banks for credit facilities in the form of fees, which were insignificant in each of the past three years.

Interest rates are managed by GECS in light of the anticipated behavior, including prepayment behavior, of assets in which debt proceeds are invested. A variety of instruments, including interest rate and currency swaps and currency forwards, are employed to achieve management's interest rate objectives. Effective interest rates are lower under these "synthetic" positions than could have been achieved by issuing debt directly.

The following table shows GECS borrowing positions considering the effects of swaps.

Effective borrowings (including swaps)

December 31 (In millions)	1998	1997
Short-term	\$ 72,143	\$ 56,961
Long-term (including current portion)		
Fixed rate (a)	\$ 74,226	\$ 59,329
Floating rate	25,831	24,973
Total long-term	\$ 100,057	\$ 84,302

- (a) Includes the notional amount of long-term interest rate swaps that effectively convert the floating-rate nature of short-term borrowings to fixed rates of interest.

At December 31, 1998, swap maturities ranged from 1999 to 2048, and average interest rates for fixed-rate borrowings (including "synthetic" fixed-rate borrowings) were 6.03% (6.32% at year-end 1997).

20 GECS Insurance Liabilities, Reserves and Annuity Benefits

December 31 (In millions)	1998	1997
Investment contracts and universal life benefits	\$ 29,266	\$ 28,266
Life insurance benefits and other (a)	16,104	14,356
Unpaid claims and claims adjustment expenses (b)	19,611	14,654
Unearned premiums	5,715	5,068
Separate accounts (see note 17)	6,563	4,926
	\$ 77,259	\$ 67,270

- (a) Life insurance benefits are accounted for mainly by a net-level-premium method using estimated yields generally ranging from 5% to 9% in both 1998 and 1997.
- (b) Principally property and casualty reserves; includes amounts for both reported and incurred-but-not-reported claims, reduced by anticipated salvage and subrogation recoveries. Estimates of liabilities are reviewed and updated continually, with changes in estimated losses reflected in operations.

When GECS cedes insurance to third parties, it is not relieved of its primary obligation to policyholders. Losses on ceded risks give rise to claims for recovery; allowances are established for such receivables from reinsurers.

The insurance liability for unpaid claims and claims adjustment expenses related to policies that may cover environmental, asbestos and Year 2000-related exposures is based on known facts and an assessment of applicable law and coverage litigation. Liabilities are recognized for both known and unasserted claims (including the cost of related litigation) when sufficient information has been developed to indicate that a claim has been incurred and a range of potential losses can be reasonably estimated. Developed case law and adequate claim history do not exist for certain claims, particularly with respect to Year 2000-related exposures, principally due to significant uncertainties as to both the level of ultimate losses that will occur and what portion, if any, will be deemed to be insured amounts.

A summary of activity affecting unpaid claims and claims adjustment expenses follows.

(In millions)	1998	1997	1996
Balance at January 1 — gross	\$ 14,654	\$ 13,184	\$ 12,662
Less reinsurance recoverables	(2,246)	(1,822)	(1,853)
Balance at January 1 — net	12,408	11,362	10,809
Claims and expenses incurred			
Current year	6,330	4,494	4,087
Prior years	(162)	146	104
Claims and expenses paid			
Current year	(2,400)	(1,780)	(1,357)
Prior years	(3,692)	(2,816)	(2,373)
Claim reserves related to acquired companies	3,476	1,360	309
Other	168	(358)	(217)
Balance at December 31 — net	16,128	12,408	11,362
Add reinsurance recoverables	3,483	2,246	1,822
Balance at December 31 — gross	\$ 19,611	\$ 14,654	\$ 13,184

Prior-year claims and expenses incurred in the preceding table resulted principally from settling claims established in earlier accident years for amounts that differed from expectations.

Financial guarantees and credit life risk of insurance affiliates are summarized below.

December 31 (In millions)	1998	1997
Guarantees, principally on municipal bonds and structured finance issues	\$ 171,020	\$ 144,647
Mortgage insurance risk in force	43,941	46,245
Credit life insurance risk in force	31,018	26,593
Less reinsurance	(37,205)	(33,528)
	\$ 208,774	\$ 183,957

21 GE All Other Liabilities

This account includes noncurrent compensation and benefit accruals at year-end 1998 and 1997 of \$5,594 million and \$5,484 million, respectively. Also included are amounts for deferred incentive compensation, deferred income, product warranties and a variety of sundry items.

GE is involved in numerous remediation actions to clean up hazardous wastes as required by federal and state laws. Liabilities for remediation costs at each site are based on management's best estimate of undiscounted future costs, excluding possible insurance recoveries. When there appears to be a range of possible costs with equal likelihood, liabilities are based on the lower end of such range. Uncertainties about the status of laws, regulations, technology and information related to individual sites make it difficult to develop a meaningful estimate of the reasonably possible aggregate environmental remediation exposure. However, even in the unlikely event that remediation costs amounted to the high end of the range of costs for each site, the resulting additional liability would not be material to GE's financial position, results of operations or liquidity.

22 Deferred Income Taxes

Aggregate deferred tax amounts are summarized below.

December 31 (In millions)	1998	1997
Assets		
GE	\$ 5,309	\$ 4,891
GECS	5,305	4,320
	10,614	9,211
Liabilities		
GE	5,059	4,576
GECS	14,895	13,286
	19,954	17,862
Net deferred tax liability	\$ 9,340	\$ 8,651

Principal components of the net deferred tax balances for GE and GECS are as follows:

December 31 (In millions)	1998	1997
GE		
Provisions for expenses (a)	\$ (3,809)	\$ (3,367)
Retiree insurance plans	(847)	(856)
Prepaid pension asset	2,713	2,301
Depreciation	935	955
Other — net	758	652
	(250)	(315)
GECS		
Financing leases	8,593	7,909
Operating leases	2,419	2,156
Net unrealized gains on securities	1,369	1,264
Allowance for losses	(1,386)	(1,372)
Insurance reserves	(1,022)	(1,000)
AMT credit carryforwards	(903)	(354)
Other — net	520	363
	9,590	8,966
Net deferred tax liability	\$ 9,340	\$ 8,651

(a) Represents the tax effects of temporary differences related to expense accruals for a wide variety of items, such as employee compensation and benefits, interest on tax deficiencies, product warranties and other provisions for sundry losses and expenses that are not currently deductible.

23 GECS Minority Interest in Equity of Consolidated Affiliates

Minority interest in equity of consolidated GECS affiliates includes preferred stock issued by GE Capital and by an affiliate of GE Capital. The preferred stock pays cumulative dividends at variable rates. Value of the preferred shares is summarized below.

December 31 (In millions)	1998	1997
GE Capital	\$ 2,300	\$ 2,230
GE Capital affiliate	860	660

Dividend rates on the preferred stock ranged from 3.9% to 5.2% during 1998 and from 3.8% to 5.2% during 1997 and 1996.

24 Restricted Net Assets of GECS Affiliates

Certain GECS consolidated affiliates are restricted from remitting funds to GECS in the form of dividends or loans by a variety of regulations, the purpose of which is to protect affected insurance policyholders, depositors or investors. At year-end 1998, net assets of regulated GECS affiliates amounted to \$25.1 billion, of which \$21.9 billion was restricted.

At December 31, 1998 and 1997, the aggregate statutory capital and surplus of the insurance businesses totaled \$14.4 billion and \$12.4 billion, respectively. Accounting practices prescribed by statutory authorities are used in preparing statutory statements.

25 Share Owners' Equity

(In millions)	1998	1997	1996
Common stock issued	\$ 594	\$ 594	\$ 594
Accumulated nonowner changes other than earnings			
Balance at January 1	\$ 1,340	\$ 615	\$ 1,061
Unrealized gains (losses) on investment securities — net of deferred taxes of \$430, \$860 and (\$204)	795	1,467	(329)
Currency translation adjustments — net of deferred taxes of (\$13), (\$58) and (\$9)	60	(742)	(117)
Reclassification adjustments — net of deferred taxes of (\$291)	(531)	—	—
Balance at December 31	\$ 1,664	\$ 1,340	\$ 615
Other capital			
Balance at January 1	\$ 4,434	\$ 2,554	\$ 1,602
Gains on treasury stock dispositions (a)	2,374	1,880	952
Balance at December 31	\$ 6,808	\$ 4,434	\$ 2,554
Retained earnings			
Balance at January 1	\$ 43,338	\$ 38,670	\$ 34,528
Net earnings	9,296	8,203	7,280
Dividends (a)	(4,081)	(3,535)	(3,138)
Balance at December 31	\$ 48,553	\$ 43,338	\$ 38,670
Common stock held in treasury			
Balance at January 1	\$ 15,268	\$ 11,308	\$ 8,176
Purchases (a)	6,475	6,392	4,842
Dispositions (a)	(3,004)	(2,432)	(1,710)
Balance at December 31	\$ 18,739	\$ 15,268	\$ 11,308

(a) Total dividends and other transactions with share owners reduced equity by \$5,178 million, \$5,615 million and \$5,318 million in 1998, 1997 and 1996, respectively.

The GE Board of Directors has authorized repurchase of \$17 billion of common stock under the share repurchase program. This buyback will continue through the year 2000 at an annual rate of about \$2 billion. Funds used for the share repurchase are expected to be generated largely from operating cash flow.

Through year-end 1998, a total of 287 million shares having an aggregate cost of \$13.6 billion had been repurchased under this program and placed into treasury.

Common shares issued and outstanding are summarized in the following table.

Shares of GE common stock

December 31 (In thousands)	1998	1997	1996
Issued	3,714,068	3,714,026	3,714,026
In treasury	(442,772)	(449,434)	(424,942)
Outstanding	3,271,296	3,264,592	3,289,084

GE has 50 million authorized shares of preferred stock (\$1.00 par value), but no such shares have been issued.

The effects of translating to U.S. dollars the financial statements of non-U.S. affiliates whose functional currency is the local currency are included in share owners' equity. Asset and liability accounts are translated at year-end exchange rates, while revenues and expenses are translated at average rates for the period.

26 Other Stock-Related Information

Stock option activity

(Shares in thousands)	Shares subject to option	Average per share	
		Exercise price	Market price
Balance at December 31, 1995	144,874	\$21.60	\$36.00
Options granted	19,034	42.39	42.39
Replacement options	8,622	26.34	26.34
Options exercised	(18,278)	17.70	43.25
Options terminated	(4,707)	26.18	—
Balance at December 31, 1996	149,545	24.86	49.44
Options granted (a)	13,795	68.07	68.07
Replacement options	30	24.16	24.16
Options exercised	(21,746)	18.47	61.22
Options terminated	(2,721)	31.10	—
Balance at December 31, 1997	138,903	30.03	73.38
Options granted	7,707	79.86	79.86
Options exercised	(23,955)	20.76	84.45
Options terminated	(2,727)	44.46	—
Balance at December 31, 1998	119,928	34.76	102.00

(a) Without adjusting for the effect of the 2-for-1 stock split in April 1997, the number of options granted during 1997 would have been 13,476.

Stock option plans, stock appreciation rights (SARs), restricted stock and restricted stock units are described in GE's current Proxy Statement. With certain restrictions, requirements for stock option shares can be met from either unissued or treasury shares.

The replacement options replaced canceled SARs and have identical terms thereto. At year-end 1998, there were 1.4 million SARs outstanding at an average exercise price of \$22.14. There were 9.2 million restricted stock shares and restricted stock units outstanding at year-end 1998.

There were 121.0 million and 92.8 million additional shares available for grants of options, SARs, restricted stock and restricted stock units at December 31, 1998 and 1997, respectively. Under the 1990 Long-Term Incentive Plan, 0.95% of the Company's issued common stock (including treasury shares) as of the first day of each calendar year during which the Plan is in effect becomes available for granting awards in such year. Any unused portion, in addition to shares allocated to awards that are canceled or forfeited, is available for later years.

Outstanding options and SARs expire on various dates through December 18, 2008. Restricted stock grants vest on various dates up to normal retirement of grantees.

The following table summarizes information about stock options outstanding at December 31, 1998.

Stock options outstanding

(Shares in thousands)

Exercise price range	Outstanding			Exercisable	
	Shares	Average life (a)	Average exercise price	Shares	Average exercise price
\$12 $\frac{1}{2}$ – 21 $\frac{1}{16}$	20,690	2.7	\$17.80	20,690	\$17.80
\$21 $\frac{1}{16}$ – 31 $\frac{1}{16}$	61,600	5.5	25.72	47,372	25.16
\$36 $\frac{1}{16}$ – 51 $\frac{1}{2}$	17,565	7.6	42.65	4,436	41.19
\$51 $\frac{1}{4}$ – 73	12,475	8.8	68.88	75	60.15
\$77 $\frac{1}{2}$ – 96 $\frac{1}{8}$	7,598	9.7	79.88	22	78.30
Total	119,928	5.9	34.76	72,595	24.09

At year-end 1997, options with an average exercise price of \$21.11 were exercisable on 72 million shares; at year-end 1996, options with an average exercise price of \$19.58 were exercisable on 81 million shares.

(a) Average contractual life remaining in years.

Stock options expire 10 years from the date they are granted; options vest over service periods that range from one to five years.

Disclosures required by Statement of Financial Accounting Standards (SFAS) No. 123, *Accounting for Stock-Based Compensation*, are as follows:

Option value information (a)

(In dollars)	1998	1997	1996
Fair value per option (b)	\$18.98	\$17.81	\$9.34
Valuation assumptions			
Expected option term (years)	6.2	6.3	6.2
Expected volatility	21.7%	20.0%	20.1%
Expected dividend yield	1.8%	1.5%	2.3%
Risk-free interest rate	4.9%	6.1%	6.6%

(a) Weighted averages of option grants during each period.

(b) Estimated using Black-Scholes option pricing model.

Pro forma effects (a)

December 31 (In millions; per-share amounts in dollars)	1998	1997	1996
Net earnings	\$9,196	\$8,129	\$7,235
Earnings per share — diluted	2.77	2.43	2.15
— basic	2.81	2.48	2.19

(a) Valuations only of grants made after January 1, 1995; thus, the pro forma effect increased over the periods presented.

27 Supplemental Cash Flows Information

Changes in operating assets and liabilities are net of acquisitions and dispositions of principal businesses.

"Payments for principal businesses purchased" in the Statement of Cash Flows is net of cash acquired and includes debt assumed and immediately repaid in acquisitions.

"All other operating activities" in the Statement of Cash Flows consists primarily of adjustments to current and noncurrent accruals and deferrals of costs and expenses, increases and decreases in progress collections, adjustments for gains and

losses on assets, increases and decreases in assets held for sale, and adjustments to assets.

Noncash transactions include the 1998 acquisition of Marquette Medical Systems for 9.4 million shares of GE common stock valued at \$829 million and the 1997 exchange transaction described in note 2. Other noncash transactions did not have a significant effect on the investing or financing activities of GE or GECS.

Certain supplemental information related to GE and GECS cash flows is shown below.

For the years ended December 31 (In millions)

GE

Net purchase of GE shares for treasury

Open market purchases under share repurchase program
Other purchases
Dispositions (mainly to employee and dividend reinvestment plans)

GECS

Financing receivables

Increase in loans to customers
Principal collections from customers — loans
Investment in equipment for financing leases
Principal collections from customers — financing leases
Net change in credit card receivables
Sales of financing receivables

All other investing activities

Purchases of securities by insurance and annuity businesses
Dispositions and maturities of securities by insurance and annuity businesses
Proceeds from principal business dispositions
Other

Newly issued debt having maturities longer than 90 days

Short-term (91 to 365 days)
Long-term (longer than one year)
Proceeds — nonrecourse, leveraged lease debt

Repayments and other reductions of debt having maturities longer than 90 days

Short-term (91 to 365 days)
Long-term (longer than one year)
Principal payments — nonrecourse, leveraged lease debt

All other financing activities

Proceeds from sales of investment contracts
Preferred stock issued by GECS affiliates
Redemption of investment contracts

1998	1997	1996
\$ (3,646)	\$ (3,492)	\$ (3,266)
(2,829)	(2,900)	(1,576)
3,656	3,577	2,519
\$ (2,819)	\$ (2,815)	\$ (2,323)
\$ (76,142)	\$ (55,689)	\$ (49,890)
65,573	50,679	49,923
(20,299)	(16,420)	(14,427)
15,467	13,796	11,158
(4,705)	(4,186)	(3,068)
13,805	9,922	4,026
\$ (6,301)	\$ (1,898)	\$ (2,278)
\$ (23,897)	\$ (19,274)	\$ (15,925)
20,639	17,280	14,018
—	241	—
(7,820)	(3,893)	(4,183)
\$ (11,078)	\$ (5,646)	\$ (6,090)
\$ 5,881	\$ 3,502	\$ 5,061
33,453	15,566	17,245
2,106	1,757	595
\$ 41,440	\$ 20,825	\$ 22,901
\$ (25,901)	\$ (21,320)	\$ (23,355)
(4,739)	(1,150)	(1,025)
(387)	(287)	(276)
\$ (31,027)	\$ (22,757)	\$ (24,656)
\$ 5,149	\$ 4,717	\$ 2,561
270	605	155
(5,533)	(4,537)	(2,688)
\$ (114)	\$ 785	\$ 28

Revenues

For the years ended December 31

(In millions)	Total revenues			Intersegment revenues			External revenues		
	1998	1997	1996	1998	1997	1996	1998	1997	1996
GE									
Aircraft Engines	\$ 10,294	\$ 7,799	\$ 6,302	\$ 292	\$ 101	\$ 86	\$ 10,002	\$ 7,698	\$ 6,216
Appliances	5,619	5,801	5,586	12	12	5	5,607	5,789	5,581
Industrial Products and Systems	11,222	10,984	10,401	479	491	453	10,743	10,493	9,948
NBC	5,269	5,153	5,232	—	—	—	5,269	5,153	5,232
Plastics	6,633	6,695	6,509	20	24	22	6,613	6,671	6,487
Power Systems	8,466	7,915	7,643	166	80	67	8,300	7,835	7,576
Technical Products and Services	5,323	4,861	4,700	14	18	23	5,309	4,843	4,677
All Other	264	308	291	—	—	—	264	308	291
Eliminations	(1,367)	(1,176)	(1,032)	(983)	(726)	(656)	(384)	(450)	(376)
Total GE segment revenues	51,723	48,340	45,632	—	—	—	51,723	48,340	45,632
Corporate items (a)	507	2,919	1,116	—	—	—	507	2,919	1,116
GECS net earnings	3,796	3,256	2,817	—	—	—	3,796	3,256	2,817
Total GE	56,026	54,515	49,565	—	—	—	56,026	54,515	49,565
GECS	48,694	39,931	32,713	—	—	—	48,694	39,931	32,713
Eliminations	(4,251)	(3,606)	(3,099)	—	—	—	(4,251)	(3,606)	(3,099)
Consolidated revenues	\$ 100,469	\$ 90,840	\$ 79,179	\$ —	\$ —	\$ —	\$ 100,469	\$ 90,840	\$ 79,179

GE revenues include income from sales of goods and services to customers and other income. Sales from one Company component to another generally are priced at equivalent commercial selling prices.

(a) Includes revenues of \$944 million and \$789 million in 1997 and 1996, respectively, from an appliance distribution affiliate that was deconsolidated in 1998. Also includes \$1,538 million in 1997 from exchanging preferred stock in Lockheed Martin Corporation for the stock of a newly formed subsidiary.

(In millions)	Assets			Property, plant and equipment additions (including equipment leased to others)			Depreciation and amortization (including goodwill and other intangibles)		
	At December 31			For the years ended December 31			For the years ended December 31		
	1998	1997	1996	1998	1997	1996	1998	1997	1996
GE									
Aircraft Engines	\$ 8,866	\$ 8,895	\$ 5,423	\$ 480	\$ 729	\$ 551	\$ 398	\$ 292	\$ 282
Appliances	2,436	2,354	2,399	150	83	168	137	131	123
Industrial Products and Systems	6,466	6,672	6,574	428	487	450	440	408	362
NBC	3,264	3,050	3,007	105	116	176	127	142	121
Plastics	9,813	8,890	9,130	722	618	748	591	494	552
Power Systems	7,253	6,182	6,322	246	215	185	215	199	184
Technical Products and Services	3,858	2,438	2,245	254	189	154	143	137	123
All Other	189	224	239	—	—	—	52	46	40
Total GE segments	42,145	38,705	35,339	2,385	2,437	2,432	2,103	1,849	1,787
Investment in GECS	19,727	17,239	14,276	—	—	—	—	—	—
Corporate items and eliminations (a)	12,798	11,482	10,310	158	129	114	189	180	176
Total GE	74,670	67,426	59,925	2,543	2,566	2,546	2,292	2,029	1,963
GECS	303,297	255,408	227,419	8,110	7,320	5,762	3,568	3,240	2,805
Eliminations	(22,032)	(18,822)	(14,942)	—	—	—	—	—	—
Consolidated totals	\$ 355,935	\$ 304,012	\$ 272,402	\$ 10,653	\$ 9,886	\$ 8,308	\$ 5,860	\$ 5,269	\$ 4,768

Additions to property, plant and equipment include amounts relating to principal businesses purchased.

(a) Depreciation and amortization includes \$64 million of unallocated RCA goodwill amortization in 1998, 1997 and 1996 that relates to NBC.

At year-end 1998, GE adopted SFAS No. 131, *Disclosures about Segments of an Enterprise and Related Information*. Prior-period amounts have been restated in accordance with the requirements of the new standard.

Basis for presentation. The Company's operating businesses are organized based on the nature of products and services provided. Certain GE businesses do not meet the definition of a reportable

operating segment and have been aggregated. The Industrial Products and Systems segment consists of Industrial Systems, Lighting, Transportation Systems and GE Supply. The Technical Products and Services segment consists of Medical Systems and Information Services.

Segment accounting policies are the same as policies described in note 1.

Details of segment profit by operating segment can be found on page 36 of this report. A description of operating segments for General Electric Company and consolidated affiliates follows.

Aircraft Engines. Jet engines and replacement parts and repair and maintenance services for all categories of commercial aircraft (short/medium, intermediate and long-range); for a wide variety of military aircraft, including fighters, bombers, tankers and helicopters; and for executive and commuter aircraft. Sold worldwide to airframe manufacturers, airlines and government agencies. Also includes aircraft engine derivatives, reported both in this segment and in Power Systems, used as marine propulsion and industrial power sources.

Appliances. Major appliances and related services for products such as refrigerators, freezers, electric and gas ranges, dishwashers, clothes washers and dryers, microwave ovens, room air conditioners and residential water system products. Sold in North America and in global markets under various GE and private-label brands. Distributed to retail outlets, mainly for the replacement market, and to building contractors and distributors for new installations.

Industrial Products and Systems. Lighting products (including a wide variety of lamps, lighting fixtures, wiring devices and quartz products); electrical distribution and control equipment (including power delivery and control products such as transformers, meters, relays, capacitors and arresters); transportation systems products (including diesel-electric locomotives, transit propulsion equipment and motorized wheels for off-highway vehicles); electric motors and related products; a broad range of electrical and electronic industrial automation products (including drive systems); installation, engineering and repair services, which includes management and technical expertise for large projects such as process control systems; and GE Supply, a network of electrical supply houses. Markets are extremely diverse. Products are sold to commercial and industrial end users, including utilities, to original equipment manufacturers, to electrical distributors, to retail outlets, to railways and to transit authorities. Increasingly, products are developed for and sold in global markets.

NBC. Principal businesses are the furnishing of U.S. network television services to more than 200 affiliated stations, production of television programs, operation of 13 VHF and UHF television broadcasting stations, operation of six cable/satellite networks around the world, and investment and programming activities in the Internet, multimedia and cable television.

Plastics. High-performance engineered plastics used in applications such as automobiles and housings for computers and other business equipment; ABS resins; silicones; superabrasive industrial diamonds; and laminates. Sold worldwide to a diverse customer base consisting mainly of manufacturers.

Power Systems. Power plant products and services, including design, installation, operation and maintenance services. Markets

and competition are global. Gas turbines are sold separately and as part of packaged power plants for electric utilities, independent power producers and for industrial cogeneration and mechanical drive applications. Steam turbine-generators are sold to electric utilities and, for cogeneration, to industrial and other power customers. Also includes nuclear reactors and fuel and support services for GE's new and installed boiling water reactors and aircraft engine derivatives, also reported in the Aircraft Engines segment, used as industrial power sources.

Technical Products and Services. Medical imaging systems such as magnetic resonance (MR) and computed tomography (CT) scanners, x-ray, nuclear imaging and ultrasound, as well as diagnostic cardiology and patient monitoring devices; related services, including equipment monitoring and repair, computerized data management and customer productivity services. Products and services are sold worldwide to hospitals and medical facilities. Also includes a full range of computer-based information and data interchange services for both internal and external use to commercial and industrial customers.

GECS. The operating activities of the GECS segment follow.

Consumer services — private-label and bank credit card loans, personal loans, time sales and revolving credit and inventory financing for retail merchants, auto leasing and inventory financing, mortgage servicing, and consumer savings and insurance services.

Equipment management — leases, loans, sales and asset management services for portfolios of commercial and transportation equipment, including aircraft, trailers, auto fleets, modular space units, railroad rolling stock, data processing equipment, containers used on ocean-going vessels, and satellites.

Mid-market financing — loans, financing and operating leases and other services for middle-market customers, including manufacturers, distributors and end users, for a variety of equipment that includes vehicles, corporate aircraft, data processing equipment, medical and diagnostic equipment, and equipment used in construction, manufacturing, office applications, electronics and telecommunications activities.

Specialized financing — loans and financing leases for major capital assets, including industrial facilities and equipment, and energy-related facilities; commercial and residential real estate loans and investments; and loans to and investments in public and private entities in diverse industries.

Specialty insurance — U.S. and international multiple-line property and casualty reinsurance; certain directly written specialty insurance and life reinsurance; financial guaranty insurance, principally on municipal bonds and structured finance issues; private mortgage insurance; and creditor insurance covering international customer loan repayments.

Very few of the products financed by GECS are manufactured by GE.

29 Geographic Segment Information (consolidated)

The table below presents data by geographic region. Operating profit data by geographic segment have been restated on a basis consistent with operating segment information presented on page 36.

Revenues and operating profit shown below are classified according to their country of origin (including exports from such areas). Revenues and operating profit classified under the caption "United States" include royalty and licensing income from non-U.S. sources.

Revenues									
For the years ended December 31									
(In millions)	Total revenues			Intersegment revenues			External revenues		
	1998	1997	1996	1998	1997	1996	1998	1997	1996
United States	\$ 71,799	\$ 66,330	\$ 58,110	\$ 2,608	\$ 2,471	\$ 2,292	\$ 69,191	\$ 63,859	\$ 55,818
Europe (a)	21,665	18,166	15,964	837	787	714	20,828	17,379	15,250
Pacific Basin	5,166	4,742	4,343	951	880	796	4,215	3,862	3,547
Other (b)	6,925	6,420	5,140	690	680	576	6,235	5,740	4,564
Intercompany eliminations	(5,086)	(4,818)	(4,378)	(5,086)	(4,818)	(4,378)	—	—	—
Total	\$ 100,469	\$ 90,840	\$ 79,179	\$ —	\$ —	\$ —	\$ 100,469	\$ 90,840	\$ 79,179

Operating profit (c)				Assets			Long-lived assets (d)		
For the years ended December 31				At December 31			At December 31		
(In millions)	1998	1997	1996	1998	1997	1996	1998	1997	1996
United States	\$ 11,558	\$ 10,249	\$ 9,745	\$ 227,311	\$ 206,655	\$ 189,593	\$ 18,048	\$ 17,074	\$ 15,016
Europe	2,393	2,271	1,724	84,518	66,740	55,196	6,334	5,180	4,483
Pacific Basin	431	355	269	18,427	8,881	8,125	1,326	971	881
Other (b)	810	713	576	25,878	21,926	19,655	10,057	9,119	8,442
Intercompany eliminations	(9)	(23)	7	(199)	(190)	(167)	(35)	(28)	(26)
Total	\$ 15,183	\$ 13,565	\$ 12,321	\$ 355,935	\$ 304,012	\$ 272,402	\$ 35,730	\$ 32,316	\$ 28,796

(a) Includes \$944 million and \$789 million in 1997 and 1996, respectively, from an appliance distribution affiliate that was deconsolidated in 1998.

(b) Includes the Americas other than the United States and operations that cannot meaningfully be associated with specific geographic areas (for example, shipping containers used on ocean-going vessels).

(c) Excludes GECS income taxes of \$1,364 million, \$1,166 million and \$1,231 million in 1998, 1997 and 1996, respectively, which are included in the measure of segment profit reported on page 36.

(d) Property, plant and equipment (including equipment leased to others).

30 Additional Information about Financial Instruments

This note contains estimated fair values of certain financial instruments to which GE and GECS are parties. Apart from borrowings by GE and GECS and certain marketable securities, relatively few of these instruments are actively traded. Thus, fair values must often be determined by using one or more models that indicate value based on estimates of quantifiable characteristics as of a particular date. Because this undertaking is, by its nature, difficult and highly judgmental, for a limited number of instruments, alternative valuation techniques may have produced disclosed values different from those that could have been realized at December 31, 1998 or 1997. Assets and liabilities that, as a matter of accounting policy, are reflected in the accompanying financial statements at fair value are not included in the following disclosures; such items include cash and equivalents, investment securities and separate accounts.

A description of how values are estimated follows.

Borrowings. Based on quoted market prices or market comparables. Fair values of interest rate and currency swaps on borrowings are based on quoted market prices and include the effects of counterparty creditworthiness.

Time sales and loans. Based on quoted market prices, recent transactions and/or discounted future cash flows, using rates at which similar loans would have been made to similar borrowers.

Investment contract benefits. Based on expected future cash flows, discounted at currently offered discount rates for immediate annuity contracts or cash surrender values for single premium deferred annuities.

Financial guarantees and credit life. Based on future cash flows, considering expected renewal premiums, claims, refunds and servicing costs, discounted at a market rate.

All other instruments. Based on comparable transactions, market comparables, discounted future cash flows, quoted market prices, and/or estimates of the cost to terminate or otherwise settle obligations to counterparties.

Financial instruments

December 31 (In millions)	1998				1997			
	Notional amount	Assets (liabilities)			Notional amount	Assets (liabilities)		
		Carrying amount (net)	Estimated fair value			Carrying amount (net)	Estimated fair value	
			High	Low			High	Low
GE								
Investment related								
Investments and notes receivable	\$ (a)	\$ 1,764	\$ 1,810	\$ 1,793	\$ (a)	\$ 1,909	\$ 1,915	\$ 1,908
Cancelable interest rate swap	1,221	17	1	1	1,421	25	19	19
Borrowings and related instruments								
Borrowings (b)(c)	(a)	(4,147)	(4,155)	(4,155)	(a)	(4,358)	(4,377)	(4,377)
Interest rate swaps	951	—	(60)	(60)	531	—	(12)	(12)
Recourse obligations for receivables sold	441	(32)	(32)	(32)	427	(23)	(23)	(23)
Financial guarantees	2,172	—	—	—	2,141	—	—	—
Other firm commitments								
Currency forwards and options	7,914	72	114	114	6,656	82	270	270
Financing commitments	1,519	—	—	—	1,794	—	—	—
GECS								
Assets								
Time sales and loans	(a)	74,616	75,474	74,293	(a)	62,712	63,105	61,171
Integrated interest rate swaps	14,135	16	(102)	(102)	12,323	19	(125)	(125)
Purchased options	11,195	146	158	158	1,992	64	39	39
Mortgage-related positions								
Mortgage purchase commitments	1,983	—	15	15	2,082	—	11	11
Mortgage sale commitments	3,276	—	(9)	(9)	2,540	—	(9)	(9)
Mortgages held for sale	(a)	4,405	4,457	4,457	(a)	2,378	2,379	2,379
Options, including "floors"	21,433	91	181	181	30,347	51	141	141
Interest rate swaps and futures	6,662	—	49	49	3,681	—	23	23
Other cash financial instruments	(a)	3,205	3,433	3,231	(a)	2,242	2,592	2,349
Liabilities								
Borrowings and related instruments								
Borrowings (b)(c)	(a)	(172,200)	(174,492)	(174,492)	(a)	(141,263)	(141,828)	(141,828)
Interest rate swaps	46,325	—	(1,449)	(1,449)	42,531	—	(250)	(250)
Currency swaps	29,645	—	252	252	23,382	—	(1,249)	(1,249)
Currency forwards	23,409	—	(389)	(389)	15,550	—	371	371
Investment contract benefits	(a)	(23,893)	(23,799)	(23,799)	(a)	(23,045)	(22,885)	(22,885)
Insurance — financial guarantees and credit life	208,774	(3,135)	(3,339)	(3,446)	183,957	(2,897)	(2,992)	(3,127)
Credit and liquidity support — securitizations	21,703	(29)	(29)	(29)	13,634	(46)	(46)	(46)
Performance guarantees — principally letters of credit	2,684	—	—	—	2,699	(34)	—	(67)
Other	2,888	(1,921)	(1,190)	(1,190)	3,147	(1,134)	(1,282)	(1,303)
Other firm commitments								
Currency forwards	5,072	—	(52)	(52)	1,744	—	11	11
Currency swaps	915	72	72	72	1,073	192	192	192
Ordinary course of business lending commitments	9,839	—	(12)	(12)	7,891	—	(62)	(62)
Unused revolving credit lines								
Commercial	6,401	—	—	—	4,850	—	—	—
Consumer — principally credit cards	132,475	—	—	—	134,123	—	—	—

(a) Not applicable.

(b) Includes effects of interest rate and currency swaps, which also are listed separately.

(c) See note 19.

Additional information about certain financial instruments in the table above follows.

Currency forwards and options are employed by GE and GECS to manage exposures to changes in currency exchange rates associated with commercial purchase and sale transactions and by GECS to optimize borrowing costs as discussed in note 19. These financial instruments generally are used to fix the local currency

cost of purchased goods or services or selling prices denominated in currencies other than the functional currency. Currency exposures that result from net investments in affiliates are managed principally by funding assets denominated in local currency with debt denominated in those same currencies. In certain circumstances, net investment exposures are managed using currency forwards and currency swaps.

Options and instruments containing option features that behave based on limits ("caps," "floors" or "collars") on interest rate movement are used primarily to hedge prepayment risk in certain GECS business activities, such as mortgage servicing and annuities.

Swaps of interest rates and currencies are used by GE and GECS to optimize borrowing costs for a particular funding strategy (see note 19). A cancelable interest rate swap was used by GE to hedge an investment position. Interest rate and currency swaps, along with purchased options and futures, are used by GECS to establish specific hedges of mortgage-related assets and to manage net investment exposures. Credit risk of these positions is evaluated by management under the credit criteria discussed below. As part of its ongoing customer activities, GECS also enters into swaps that are integrated into investments in or loans to particular customers and do not involve assumption of third-party credit risk. Such integrated swaps are evaluated and monitored like their associated investments or loans and are not therefore subject to the same credit criteria that would apply to a stand-alone position.

Counterparty credit risk — risk that counterparties will be financially unable to make payments according to the terms of the agreements — is the principal risk associated with swaps, purchased options and forwards. Gross market value of probable future receipts is one way to measure this risk, but is meaningful only in the context of net credit exposure to individual counterparties. At December 31, 1998 and 1997, this gross market risk amounted to \$2.3 billion and \$2.0 billion, respectively. Aggregate

fair values that represent associated probable future obligations, normally associated with a right of offset against probable future receipts, amounted to \$3.6 billion and \$2.9 billion at December 31, 1998 and 1997, respectively.

Except as noted above for positions that are integrated into financings, all swaps, purchased options and forwards are carried out within the following credit policy constraints.

- Once a counterparty exceeds credit exposure limits (see table below), no additional transactions are permitted until the exposure with that counterparty is reduced to an amount that is within the established limit. Open contracts remain in force.

Counterparty credit criteria	Credit rating	
	Moody's	Standard & Poor's
Term of transaction		
Between one and five years	Aa3	AA-
Greater than five years	Aaa	AAA
Credit exposure limits		
Up to \$50 million	Aa3	AA-
Up to \$75 million	Aaa	AAA

- All swaps are executed under master swap agreements containing mutual credit downgrade provisions that provide the ability to require assignment or termination in the event either party is downgraded below A3 or A-.

More credit latitude is permitted for transactions having original maturities shorter than one year because of their lower risk.

31 Quarterly Information (unaudited)

(Dollar amounts in millions;
per-share amounts in dollars)

Consolidated operations

	First quarter		Second quarter		Third quarter		Fourth quarter	
	1998	1997	1998	1997	1998	1997	1998	1997
Net earnings	\$ 1,891	\$ 1,677	\$ 2,450	\$ 2,162	\$ 2,284	\$ 2,014	\$ 2,671	\$ 2,350
Earnings per share — diluted	0.57	0.50	0.74	0.65	0.69	0.60	0.80	0.70
— basic	0.58	0.51	0.75	0.66	0.70	0.62	0.82	0.72
Selected data								
GE								
Sales of goods and services	11,408	10,522	13,217	12,620	12,075	11,698	14,846	14,112
Gross profit from sales	3,366	2,970	4,216	3,886	3,630	3,368	4,598	2,618
GECS								
Total revenues	11,151	9,544	11,801	9,317	12,016	10,182	13,726	10,888
Operating profit	1,252	1,081	1,219	1,138	1,584	1,229	1,105	974
Net earnings	881	754	933	798	1,082	938	900	766

For GE, gross profit from sales is sales of goods and services less costs of goods and services sold. For GECS, operating profit is "Earnings before income taxes."

Fourth-quarter gross profit from sales in 1997 was reduced by restructuring and other special charges. Such charges, including amounts shown in "Other costs and expenses," were \$2,322 million

before tax. Also in the fourth quarter of 1997, GE completed an exchange transaction with Lockheed Martin as described in note 2.

Earnings-per-share amounts for each quarter are required to be computed independently. As a result, with the exception of 1998 diluted earnings per share, their sum does not equal the total year earnings-per-share amounts for 1998 and 1997.

Corporate Information

Corporate Headquarters

General Electric Company
3135 Easton Turnpike
Fairfield, CT 06431
(203) 373-2211

Annual Meeting

General Electric Company's 1999 Annual Meeting will be held on Wednesday, April 21, at the International Exposition Center in Cleveland, Ohio.

Share Owner Services

To transfer securities, write to GE Share Owner Services, c/o The Bank of New York, P.O. Box 11002, New York, NY 10286-1002.

For share owner inquiries, including enrollment information and a prospectus for the Dividend Reinvestment Plan, write to GE Share Owner Services, c/o The Bank of New York, P.O. Box 11402, New York, NY 10286-1402; or call (800) 786-2543 (800-STOCK-GE) or (713) 651-5065; or send an e-mail to GE-Shareowners@bankofny.com.

For Internet access to general share owner information and certain forms, including transfer instructions or stock power, visit the Web site at <http://stock.bankofny.com/ge>.

Stock Exchange Information

In the United States, GE common stock is listed on the New York Stock Exchange (its principal market) and the Boston Stock Exchange. It also is listed on certain non-U.S. exchanges, including The Stock Exchange, London.

Trading and Dividend Information

(In dollars)	Common Stock Market Price		Dividends declared
	High	Low	
1998			
Fourth quarter	\$ 103 ¹⁵ / ₁₆	\$ 69	\$.35
Third quarter	96 ⁷ / ₈	72 ⁵ / ₈	.30
Second quarter	92	80 ¹¹ / ₁₆	.30
First quarter	87 ⁵ / ₈	70 ¹ / ₄	.30
1997			
Fourth quarter	\$ 76 ⁹ / ₁₆	\$ 59	\$.30
Third quarter	74 ⁵ / ₈	61 ⁵ / ₁₆	.26
Second quarter	68 ¹ / ₄	48 ⁹ / ₁₆	.26
First quarter	54 ³ / ₁₆	47 ¹⁵ / ₁₆	.26

As of December 31, 1998, there were about 543,000 share owner accounts of record.

Form 10-K and Other Reports

The financial information in this report, in the opinion of management, substantially conforms with information required in the "10-K Report" to be submitted to the Securities and Exchange Commission (SEC) by the end of March 1999. Certain supplemental information is in that report, however, and copies without exhibits are available, without charge, from GE Corporate Investor Communications, 3135 Easton Turnpike, Fairfield, CT 06431.

Copies of the General Electric Pension Plan, the Summary Annual Report for GE employee benefit plans subject to the Employee Retirement Income Security Act of 1974, and other GE employee benefit plan documents and information also are available by writing to Corporate Investor Communications and specifying the information desired.

GE Capital Services and GE Capital Corporation file Form 10-K Reports with the SEC. For copies of these reports, contact GE Capital Services, Public Relations and Advertising, 260 Long Ridge Road, Stamford, CT 06927.

For the Annual Report of GE's philanthropic foundation, write to the GE Fund, 3135 Easton Turnpike, Fairfield, CT 06431.

Internet Address

Use <http://www.ge.com> to reach the GE home page for information about GE and its products and services.

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For information about GE consumer products and services, call the GE Answer Center® service at (800) 626-2000 or (502) 423-7710. For information about the varied financial products and services offered by GE Capital, call (800) 243-2222 or (203) 357-3301.

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Corporate Ombudsman

To report concerns related to compliance with the law, GE policies or government contracting requirements, contact the GE Corporate Ombudsman, P.O. Box 911, Fairfield, CT 06430. Telephone: (800) 227-5003 or (203) 373-2343.

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